

**VARDHMAN SPECIAL STEELS LIMITED**

Vardhman Special Steels Limited (Our Company) was incorporated on May 14, 2010, as a Public Limited Company under the provisions of the Companies Act, 1956 and subsequently received its certificate of commencement of business on June 15, 2010. In the year 2011 pursuant to Scheme of Arrangement & Demerger between Vardhman Textiles Limited and our Company as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh under Section 391-394 of Companies Act, 1956 dated January 12, 2011, the Steel business undertaking of Vardhman Textiles Limited got vested in our Company w.e.f. January 01, 2011. For further details, please see section "History and Other Corporate Matters" on page 111 of this Draft Letter of Offer.

**Registered Office:** Vardhman Premises, Chandigarh Road, Ludhiana-141010, Punjab, India

**Works:** C-58, Focal Point, Ludhiana 141 010, India

**Tel No:** 0161-2228943-48; **Fax No.:** 0161-2601048, 2220766

**E-mail:** secretarial.lud@vardhman.com, **Website:** www.vardhmansteel.com

**Contact Person:** Sonam Taneja, Company Secretary and Compliance Officer

**Corporate Identification Number (CIN):** L27100PB2010PLC033930

**Promoters of our Company:** Please refer page 4

| FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS AND ELIGIBLE EMPLOYEES OF OUR COMPANY ONLY  |  |                 |
|---|--|-----------------|
| THE ISSUE   |  |                 |
| <p><b>ISSUE OF 1,35,70,000 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF ₹ 50 PER RIGHTS EQUITY SHARE ("ISSUE PRICE") INCLUDING A PREMIUM OF ₹ 40 PER RIGHTS EQUITY SHARE AGGREGATING UP TO ₹ 6,785 LAKHS BY VARDHMAN SPECIAL STEELS LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE COMPRISES OF ISSUE OF 1,23,70,000 RIGHTS EQUITY SHARES TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF 2 RIGHTS EQUITY SHARES FOR EVERY 3 EQUITY SHARES HELD ON [●] (THE RECORD DATE) AGGREGATING UP TO ₹ 6,185 LAKHS AND A RESERVATION OF UPTO 12,00,000 RIGHTS EQUITY SHARES FOR THE ELIGIBLE EMPLOYEES ("THE EMPLOYEE RESERVATION PORTION") OF THE COMPANY AGGREGATING UP TO ₹ 600 LAKHS. THE ISSUE TO THE EXISTING EQUITY SHAREHOLDERS AND ELIGIBLE EMPLOYEES COLLECTIVELY REFERRED TO AS THE "ISSUE". THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE "NET ISSUE". THE ISSUE PRICE IS FIVE TIMES THE FACE VALUE OF THE EQUITY SHARES.</b></p> |  |                 |
| GENERAL RISKS   |  |                 |
| <p>Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to the Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares being offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does the SEBI guarantee the accuracy or adequacy of this document.</p> <p><b>Investors are advised to refer to the section titled "Risk Factors" from page 12 before making an investment in this Issue.</b></p>   |  |                 |
| ISSUER'S ABSOLUTE RESPONSIBILITY  |  |                 |
| <p>The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.</p>  |  |                 |
| LISTING   |  |                 |
| <p>The existing Equity Shares of our Company are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) (together the "Stock Exchanges"). Our Company has received in-principle approvals from BSE and NSE vide their letters dated [●] and [●], respectively, for listing of the Equity Shares arising from this Issue. For the purposes of the Issue, the Designated Stock Exchange shall be BSE.</p>   |  |                 |
| LEAD MANAGER TO THE ISSUE   | REGISTRAR TO THE ISSUE   |                 |
|    |    |                 |
| <p><b>Master Capital Services Limited</b><br/>SCO 22-23, Sector 9D, Madhya Marg,<br/>Chandigarh -160009, India<br/><b>Contact Person:</b> Ankita Nayyar<br/><b>Tel:</b> +91-172-4848000<br/><b>Fax:</b> +91-172-2745865<br/><b>Email:</b> ankita.nayyar@mastertrust.co.in<br/><b>Website:</b> <a href="http://www.mastertrust.co.in">www.mastertrust.co.in</a><br/><b>Investor Grievance E-mail:</b> mbd@mastertrust.co.in<br/><b>SEBI Registration Number:</b> INM000000107<br/><b>CIN:</b> U67190MH1994PLC147882</p>  | <p><b>Alankit Assignments Limited</b><br/>1E/13, Alankit Heights, Jhandewalan Extension<br/>New Delhi- 110055, India<br/><b>Contact Person:</b> Pankaj Goenka/ Mahesh Pandey<br/><b>Tel:</b> 011- 42541234, 42541952(D), 42541956(D)<br/><b>Fax:</b> 011- 41540064<br/><b>Email:</b> pankajg1@alankit.com; maheshcp@alankit.com<br/><b>Website:</b> <a href="http://www.alankit.in">www.alankit.in</a><br/><b>Investor Grievance ID:</b> info@alankit.com<br/><b>SEBI Registration No.:</b> INR000002532<br/><b>CIN:</b> U74210DL1991PLC042569</p> |                 |
| ISSUE SCHEDULE  |  |                 |
| ISSUE OPENS ON  | LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS  | ISSUE CLOSES ON |
| [●]   | [●]  | [●]             |

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## SECTION I – GENERAL DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded below shall have the same meaning as stated in this section. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

*The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.*

### Company and Industry Related Terms

| Term  | Description   |
|---|---|
| “VSSL” or “the Company” or “our Company” or “we” or “us” or “our” or “Issuer” or “the Issuer Company” | Vardhman Special Steels Limited   |
| Articles / Articles of Association / AoA  | Articles of Association of our Company, as amended  |
| Statutory Auditor   | Statutory auditors of our Company, namely, M/s S. S. Kothari Mehta & Co., Chartered Accountants   |
| BIFR  | Board of Industrial and Financial Reconstruction  |
| Board / Board of Directors / Our Board  | The Board of Directors of our Company or any duly constituted committee thereof, as the context may require   |
| Director(s)   | Any or all director(s) of our Company, as the context may require   |
| Equity Share(s)   | The equity share(s) of our Company having a face value of ₹ 10 each, fully paid up  |
| Employee Stock Option Plan (ESOP)   | Employee stock option plan as approved by our shareholders at the Annual General Meeting dated September 28, 2016.  |
| Group Companies/ Group Entities   | As per the requirements of SEBI (ICDR) Regulations, for the purpose of identification of "group companies", our Company considered companies as covered under the applicable accounting standards, being Accounting Standard 18. For further details please refer “ <i>Our Group Companies/Entities</i> ” on page 155 |
| Memorandum / Memorandum of Association/ MoA   | Memorandum of Association of our Company, as amended  |
| Promoter and Promoter Group   | The promoter and promoter group of our Company as identified in the filings made by our Company with the Stock Exchange   |
| Registered Office   | Vardhman Premises, Chandigarh Road, Ludhiana-141010, Punjab, India  |
| Registrar of Companies / RoC  | Registrar of Companies, Punjab, Chandigarh located at Corporate Bhawan, Plot No.4 B, Sector 27 B, Madhya Marg, Chandigarh - 160019  |
| Works   | C-58, Focal Point, Ludhiana 141 010, India  |

### Conventional and General Terms

| Term                | Description  |
|---------------------|--|
| AIF Regulations     | Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 as amended                                       |
| Companies Act       | The Companies Act, 1956 and the Companies Act, 2013, as applicable   |
| Companies Act, 1956 | The Companies Act, 1956, and the rules made thereunder to the extent not repealed  |
| Companies Act, 2013 | The Companies Act, 2013, and the rules made thereunder to the extent in force pursuant to notification of the notified sections.         |
| Depositories Act    | The Depositories Act, 1996   |
| FCNR Account        | Foreign Currency Non Resident Account  |
| FEMA                | Foreign Exchange Management Act, 1999, and any circulars, notifications, rules and regulations issued pursuant to the provisions thereof |
| FEMA Regulations    | Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 as amended              |

|  |   |
|--|---|
| FII Regulations                              | Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995 as amended                                      |
| Financial Year / Fiscal                      | The period of 12 (twelve) months beginning April 1 and ending March 31 of that particular year, unless otherwise stated                   |
| FVCI Regulations                             | Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 as amended                                   |
| IFRS   | International Financial Reporting Standards.  |
| India  | Republic of India   |
| Indian GAAP                                  | The generally accepted accounting principles in India   |
| Industrial Policy                            | The industrial policy and guidelines issued by the Ministry of Industry, Government of India.   |
| IT Act                                       | The Income Tax Act, 1961 as amended   |
| Listing Agreement                            | The uniform equity listing agreement signed between our Company and the Stock Exchange  |
| Merchant Bankers Regulations                 | The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992   |
| Mutual Fund                                  | Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996                         |
| Non Resident / NR                            | Persons resident outside India as defined in the FEMA   |
| Rupees / ₹ / INR                             | The lawful currency of India  |
| SEBI Act                                     | The Securities and Exchange Board of India Act, 1992 as amended   |
| SEBI ESOP Guidelines                         | The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended |
| SEBI Regulations/ICDR Regulations            | The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended                   |
| SEBI (LODR) Regulations/ Listing Regulations | The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended                |
| Securities Act                               | United States Securities Act of 1993, as amended  |
| SICA   | Sick Industrial Companies Act, 1985   |
| FPI Regulations                              | The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014  |
| Takeover Regulations                         | The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011                            |
| VCF Regulations                              | Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996  |
| Wealth Tax Act                               | The Wealth tax Act, 1957 and amendments thereto.  |

### Issue Related Terms

| Term                         | Description   |
|------------------------------|---|
| Abridged Letter of Offer     | The abridged letter of offer to be sent to the Eligible Equity Shareholders and made available to Eligible Employees of our Company with respect to this Issue in accordance with the provisions of the ICDR Regulations and the Companies Act  |
| Allot / Allotment / Allotted | Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue to the Allottees  |
| Allottee(s)                  | The successful applicant(s) eligible for Allotment of Equity Shares pursuant to the Issue   |
| Application                  | Application made by the Applicant whether submitted by way of CAF or in the form of a plain-paper, in case of Eligible Equity Shareholders, or an EAF, in case of Eligible Employees, to subscribe to the Equity Shares issued pursuant to the Issue at the Issue Price including applications by way of the ASBA process |
| Application Money            | Aggregate amount payable in respect of the Securities applied for in the Issue at the Issue Price   |
| Application Form             | The CAF and EAF   |
| ASBA/Application Supported   | An application (whether physical or electronic) used by ASBA Applicants   |

|                                  |  |
|----------------------------------|--|
| by Blocked Amount                | to make an application authorizing the SCSB to block the amount payable on application in their specified bank account   |
| ASBA Account                     | Account maintained with SCSB and specified in the CAF or plain paper application, as the case may be, for blocking the amount mentioned in the CAF, or the plain paper application, as the case may be.  |
| ASBA Investor/ASBA Applicant(s)  | <p>(i) An Eligible Employee who intends to apply in the Employee Reservation Portion through ASBA; and</p> <p>(ii) Eligible Equity Shareholders proposing to subscribe to the Net Issue through ASBA process and:</p> <p>(a) who are holding our Equity Shares in dematerialized form as on the Record Date and have applied for their Rights Entitlements and/ or additional Rights Equity Shares in dematerialized form;</p> <p>(b) who have not renounced their Rights Entitlements in full or in part;</p> <p>(c) who are not Renounees;</p> <p>(d) who are applying through blocking of funds in a bank account maintained with SCSBs; and</p> <p>(e) who have not split the CAF</p> <p>All Investors whose application value exceeds ₹2,00,000 complying with the above conditions must participate in this Issue through the ASBA process only notwithstanding anything contained hereinabove, all Renounees (including Renounees who are individuals) shall apply in the Issue only through non-ASBA process. Further, all QIB Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 2,00,000.</p> |
| Banker(s) to the Issue           | [●]  |
| Composite Application Form / CAF | The application form used by Investors (excluding Eligible Employees) to make an application for Allotment under the Net Issue portion.  |
| Controlling Branches             | Such branches of the SCSBs which coordinate applications under the Issue by the ASBA Investors with the Registrar to the Issue, the Lead Manager and the Stock Exchange and a list of which is available at <a href="http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html">http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html</a>  |
| Depository                       | NSDL and CDSL or any other depository registered with SEBI under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as amended from time to time, read with the Depositories Act, 1996.  |
| Designated Branches              | Such branches of the SCSBs which shall collect CAF or the plain paper application, in case of Eligible Equity Shareholders, or the EAF, in case of Eligible Employees, from ASBA investor and a list of which is available on <a href="http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html">http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html</a>  |
| Demographic Details              | Demographic details of Investors available with the Depositories, including address and bank account details.  |
| Designated Stock Exchange        | The BSE Limited  |
| Draft Letter of Offer / DLOF     | This Draft Letter of Offer of our Company dated February 03, 2017 filed with SEBI for its observations and comments which does not contain complete particulars of the Issue   |
| Employee Application Form /EAF   | The application form used by Eligible Employees to make an application for Allotment under the Employee Reservation Portion.   |
| Eligible Employee                | A permanent and full-time employee of our Company (other than Promoters) of our Company, as on the Record Date, who is an Indian national and is based, working and present in India as on the date of submission of the EAF and who continues to be in such employment till the finalisation of the basis of Allotment in consultation with the Designated Stock Exchange, but excludes persons not eligible under applicable laws, rules, regulations and guidelines.  |
| Employee Reservation Portion     | Reservation of up to 12,00,000 Rights Equity Shares (not exceeding 5% of the post-Issue capital of the Company) for the Eligible Employees aggregating up to ₹600 lakhs  |
| Eligible Equity Shareholder      | A holder/ beneficial owner of Equity Shares as on the Record Date  |
| Investor(s)/Applicants           | Eligible Equity Shareholders, Renounee(s) and Eligible Employees   |

|   |  |
|---|--|
|   | applying in the Issue.   |
| Issue Agreement                           | The agreement entered into on October 28, 2016, between our Company and the Lead Manager, pursuant to which certain arrangements are agreed to in relation to the Issue.   |
| Issue/ Rights Issue                       | <p>Issue of 1,35,70,000 equity shares of face value of ₹ 10 each ("Equity Shares") for cash at a price of ₹ 50 per Rights Equity Share ("Issue Price") including a premium of ₹ 40 per Rights Equity Share aggregating up to ₹ 6,785 lakhs by the Company.</p> <p>The issue comprises of issue of 1,23,70,000 rights equity shares to the Eligible Equity shareholders of our Company on rights basis in the ratio of 2 rights equity shares for every 3 equity shares held on [●] (the record date) aggregating up to ₹ 6,185 lakhs and a reservation of upto 12,00,000 rights equity shares for the Eligible Employees of the company aggregating up to ₹ 600 lakhs. The issue to the existing Equity shareholders and Eligible Employees collectively referred to as the "Issue"). The issue price is five times the face value of the equity shares.</p>   |
| Issue Closing Date                        | [●]  |
| Issue Opening Date                        | [●]  |
| Issue Period                              | Period between the date of opening of the Issue and the closing of the Issue, inclusive of both days.  |
| Issue Price                               | ₹ 50 per Rights Equity Share   |
| Issue Proceeds                            | The monies received by our Company pursuant to the Equity Shares which are allotted pursuant to the Issue  |
| Lead Manager                              | Master Capital Services Limited  |
| Letter of Offer / LOF                     | The letter of offer dated [●] to be filed with the Stock Exchange after incorporating SEBI's observations and comments on the Draft Letter of Offer  |
| Net Issue                                 | The Issue less the Employee Reservation Portion. For further details, please see section " <i>Objects of the Issue</i> " on page 71 of this Draft Letter of Offer  |
| Net Proceeds                              | Issue less the issue related expenses. For further details, please see section " <i>Objects of the Issue</i> " on page 71 of this Draft Letter of Offer  |
| Non Institutional Investor(s)             | An Investor other than a Retail Individual Investor and a Qualified Institutional Buyer  |
| Promoters                                 | <p>The promoters of our Company are as follows:</p> <ol style="list-style-type: none"> <li>(1) Mr. S.P. Oswal</li> <li>(2) Mrs. Shakun Oswal</li> <li>(3) Mrs. Suchita Jain</li> <li>(4) Mr. Sachit Jain</li> <li>(5) Ms. Soumya Jain</li> <li>(6) Ms. Sagrika Jain</li> <li>(7) Eastern Trading Company</li> <li>(8) Amber Syndicate</li> <li>(9) Northern Trading Company</li> <li>(10) Paras Syndicate</li> <li>(11) Adishwar Enterprises LLP</li> <li>(12) Devakar Investment and Trading Company Private Limited</li> <li>(13) Flamingo Finance and Investment Company Limited</li> <li>(14) Ramaniya Finance and Investment Company Limited</li> <li>(15) Santon Finance and Investment Company Limited</li> <li>(16) Mahavir Spinning Mills Private Limited</li> <li>(17) Vardhman Holdings Limited</li> <li>(18) VTL Investments Limited</li> <li>(19) Vardhman Textiles Limited</li> <li>(20) Mahavir Shares Trust</li> </ol> |
| Promoter Group                            | Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI regulations and which are disclosed by our Company to the Stock Exchanges from time to time.  |
| QIB(s) / Qualified Institutional Buyer(s) | Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the ICDR Regulations.   |

|   |  |
|---|--|
| Qualified Foreign Investors / QFI           | Qualified Foreign Investor as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 (as amended), registered with SEBI under applicable laws in India. A Qualified Foreign Investor may buy, sell or otherwise continue to deal in securities without registration as Foreign Portfolio Investors subject to compliance with conditions specified in the SEBI (Foreign Portfolio Investors) Regulations, 2014 |
| Record Date                                 | [●]  |
| Refund Banker                               | [●]  |
| Refund through electronic transfer of funds | Refunds through NECS, Direct credit, RTGS, NEFT or ASBA process , as applicable  |
| Registrar to the Issue or Registrar         | Alankit Assignments Limited  |
| Renouncee(s)                                | Any person(s) who has / have acquired Rights Entitlements from Eligible Equity Shareholders  |
| Retail Individual Investor(s)               | Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2,00,000 (including HUFs applying through their Karta)   |
| Rights Entitlement                          | The number of Rights Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his / her shareholding in our Company as on the Record Date   |
| Rights Equity Shares                        | Equity Shares offered and to be issued and allotted pursuant to the Issue  |
| Split Application Form (s) / SAF(s)         | The application form(s) used in case of renunciation in part by an Eligible Equity Shareholder in favour of one or more Renouncees.  |
| Self Certified Syndicate Bank or SCSB       | The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html">http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html</a>  |
| Stock Exchange                              | BSE and NSE where the Equity Shares are presently listed   |
| Working day                                 | Any day, other than Saturdays and Sundays, on which commercial banks in Delhi or Ludhiana are open for business, provided however, for the purpose of the time period between the Issue Closing Date and listing of the Securities on the Stock Exchanges, “Working Days” shall mean all days excluding Sundays and bank holidays in accordance with the SEBI circular no. CIR/CFD/DIL/3/2010 dated April 22, 2010   |

#### Abbreviations

| Term | Description                                 |
|------|---|
| ADR  | American Depository Receipt                 |
| AGM  | Annual General Meeting                      |
| AS   | Accounting Standards, as issued by the ICAI |
| AY   | Assessment Year                             |
| BSE  | BSE Limited                                 |
| CAGR | Compounded Annual Growth Rate               |
| CDSL | Central Depository Services (India) Limited |
| CIN  | Corporate Identification Number             |
| CIT  | Commissioner of Income Tax                  |
| CRGO | Cold-Rolled Grain Oriented                  |
| DIN  | Director Identification Number              |
| DP   | Depository Participant                      |
| DR   | Depository Receipt                          |
| DRI  | Direct-Reduced Iron                         |
| EGM  | Extraordinary General Meeting               |
| EIL  | Eastern Investments Company Limited         |
| EPS  | Earnings per Share                          |
| ERP  | Enterprise resource planning                |

|                           |  |
|---------------------------|--|
| FDI                       | Foreign Direct Investment  |
| FEMA                      | Foreign Exchange management Act, 1999  |
| FI                        | Financial Institution  |
| FII(s)                    | Foreign Institutional Investors registered with SEBI under applicable laws   |
| FIPB                      | Foreign Investment Promotion Board   |
| FSNL                      | Ferro Scrap Nigam Limited  |
| FPIs                      | Foreign Portfolio Investors  |
| GDP                       | Gross Domestic Product   |
| GDR                       | Global Depository Receipt  |
| GoI or Central Government | Government of India  |
| HUF                       | Hindu Undivided Family   |
| ICAI                      | Institute of Chartered Accountants of India  |
| ICD                       | Inter Corporate Deposits   |
| ICL                       | Inter Corporate Loans  |
| IMG                       | Inter-Ministerial Group  |
| IndAS                     | IFRS converged Indian Accounting Standards, notified pursuant to the Companies (Accounting Standards) Rules, 2015 issued by the MCA on February 16, 2015, which came into effect from April 1, 2016  |
| ISIN                      | International Securities Identification Number   |
| ITAT                      | Income Tax Appellate Tribunal  |
| JPC                       | Joint Plant Committee  |
| JV                        | Joint Venture  |
| Ltd.                      | Limited  |
| MCSL                      | Master Capital Services Limited  |
| MICR                      | Magnetic Ink Character Recognition   |
| MoU                       | Memorandum of Understanding  |
| MTPA                      | Metric Ton Per Annum   |
| N.A.                      | Not Applicable   |
| NAV                       | Net Asset value  |
| NBFC                      | Non-Banking Financial Company  |
| NECS                      | National Electronic Clearing Service   |
| NEFT                      | National Electronic Fund Transfer  |
| NOC                       | No Objection Certificate   |
| NRI(s)                    | An individual resident outside India who is a citizen of India or is an 'Overseas Citizen of India' cardholder within the meaning of section 7(A) of the Citizenship Act, 1955, and shall have the meaning ascribed to such term in the FEMA Regulations |
| NRE Account               | Non Resident External Account  |
| NRO Account               | Non Resident Ordinary Account  |
| NSDL                      | National Securities Depository Limited   |
| NSE                       | National Stock Exchange Limited  |
| NSP                       | National Steel Policy  |
| OCB(s)                    | Overseas Corporate Body(ies)   |
| OEM                       | Original Equipment Manufacturer  |
| PAN                       | Permanent Account Number   |
| PAT                       | Profit after tax   |
| PBT                       | Profit Before Tax  |
| PLR                       | Prime lending Rate   |
| PMG                       | Project Monitoring Group   |
| PVT/Pvt                   | Private  |
| RBI                       | Reserve Bank of India  |
| INR/₹/Re/Rupees           | Indian Rupees  |
| R&D                       | Research and Development   |
| RINL                      | Rashtriya Ispat Nigam Limited  |
| RONW                      | Return on Net Worth  |
| RTGS                      | Real Time Gross Settlement   |

|        |   |
|--------|---|
| SCORES | SEBI Complaints Redress System  |
| SDF    | Steel Development Fund  |
| SEBI   | Securities and Exchange Board of India constituted under the SEBI Act         |
| SRTMI  | Steel Research and Technology Mission of India                                |
| STT    | Securities Transaction Tax  |
| VAT    | Value Added Tax   |
| VCF    | Venture capital funds, as defined in and registered under the VCF Regulations |

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Depositories Act and the rules and regulations made thereunder. Notwithstanding the foregoing, terms under the sections titled “*Financial Information*” and “*Statement of Tax Benefits*” on pages 165 and 78, of this Draft Letter of Offer, respectively, shall have the meanings given to such terms in these respective sections.

## NOTICE TO OVERSEAS INVESTORS

The distribution of this Draft Letter of Offer, the Letter of Offer, Abridged Letter of Offer or CAF and the issue of Equity Shares on Rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue on Rights basis to the Eligible Equity Shareholders and Eligible Employees as on the Record Date of the Company and will dispatch the Letter of Offer / the Abridged Letter of Offer and CAFs only to Eligible Equity Shareholders who have provided a registered Indian address. Those overseas shareholders who do not update our records with their Indian address or the address of their duly authorized representative in India, prior to the date on which we propose to dispatch the Letter of Offer / Abridged Letter of Offer and CAFs, shall not be sent the Letter of Offer / Abridged Letter of Offer and CAFs.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the rights or Equity Shares may not be offered or sold, directly or indirectly, and the Draft Letter of Offer/ Letter of Offer / Abridged Letter of Offer and CAFs may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the Issue of the rights or Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the rights or Equity Shares referred to in this Draft Letter of Offer. Envelopes containing a CAF should not be dispatched from any jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire rights and the Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that he is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations prevailing in his jurisdiction. The Company, the Registrar, the Lead Manager or any other person acting on behalf of the Company reserves the right to treat any CAF as invalid where they believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements and we shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Draft Letter of Offer.

**The contents of this Draft Letter of Offer should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of the Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares. In addition, neither our Company nor the Lead Manager is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under any applicable laws or regulations.**

## **CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND CURRENCY OF PRESENTATION**

### **Certain Conventions**

Unless otherwise specified or the context otherwise requires, all references in this Draft Letter of Offer to “India” are to the Republic of India, together with its territories and possessions; all references to the “Government” or the “Central Government” are to the Government of India

A reference to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

### **Financial Data**

Unless stated otherwise, the financial information and data in this Draft Letter of Offer is derived from Audited Financial Statements for the Financial Year ended March 31, 2016 and our Ind-AS Limited Review Financial Statements for the six-month period ended September 30, 2016, which have been included in this Draft Letter of Offer. For further details please see the section titled “*Financial Information*” on page 165. We publish our financial statements in Indian Rupees.

Our Company’s fiscal year commences on April 1 and ends on March 31 of the following calendar year. Accordingly, all references to a particular “financial year” or “fiscal year” or “Fiscal” are to the 12 (twelve) month period ended March 31 of that year.

Our Company has historically prepared its financial statements in accordance with Indian GAAP, applicable accounting standards and guidance notes issued by the ICAI, the Companies Act and other statutory and/or regulatory requirements. Our unaudited limited reviewed financial results for the six-month period ended September 30, 2016 (“Limited Review Financial Statements”) that appear in this Draft Letter of Offer have been prepared by our Company in accordance with Ind-AS and other applicable statutory and / or regulatory requirements, including the requirements of the Listing Regulations. Indian GAAP differs significantly in certain respects from Ind AS, IFRS and US GAAP. Neither the information set forth in our financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or any accounting principles other than principles specified in the Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures. Numerical values have been rounded off to two decimal places.

### **Currency of Presentation**

All references to “₹” or “INR” or “Rupees” refer to Indian Rupees, the lawful currency of India. Any reference to “USD” or “US\$” or “\$” refers to the United States Dollar, the lawful currency of the United States of America. Unless stated otherwise, throughout this Draft Letter of Offer, all figures have been expressed in Rupees in lakhs.

### **Please Note:**

- One million is equal to 10 Lakhs / 1,000 thousand;
- One lakh is equal to 100 thousand; and
- One crore is equal to 10 million / 100 lakhs.

### **Important Note on Introduction of Ind-AS and its Impact on Preparation and Presentation of our Historical and Future Financial Statements**

The Ministry of Corporate Affairs (“MCA”) notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, providing revised roadmap on implementation of Ind-AS, which stipulates implementation

of Ind-AS in a phased manner beginning from accounting period 2016 – 2017. Our Company is required to prepare and present our financial statements in accordance with Ind-AS from April 01, 2016.

Our historical audited financial statements are prepared in accordance with the Companies Act and Indian GAAP. Given that Ind-AS differs in many respects from Indian GAAP, our financial statements prepared and presented in accordance with Ind-AS relating to any period subsequent to April 1, 2016, may not be comparable to our historical financial statements prepared under Indian GAAP. In the event that any of our historical financial statements, including our financial statements for Fiscal 2016 are required to be also prepared in accordance with Ind-AS, such historical Ind-AS financial statements may vary from our historical India GAAP financial statements, and there can be no assurance that such variation will be material. As of the date of this DLOF, we have prepared financial statements for the quarter ended 30<sup>th</sup> June, 2016, 30<sup>th</sup> September, 2016 and 31<sup>st</sup> December, 2016 of our Company in accordance with Ind-AS, and are in the process of evaluating the difference in accounting policies and practices under Ind-AS and Indian GAAP that may be reasonably expected to impact the preparation and presentation of our future financial statements, and, to the extent applicable, our historical financial statements, in accordance with Ind-AS. The preparation of our financial statements in accordance with Ind-AS may require our management to make judgments, estimates and assumptions. Based upon management's evaluation of the relevant facts and circumstances as on the date of the relevant financial statements, and such estimates and underlying assumptions may be reviewed in the future on an on-going basis. For further information, see *“Risk Factors – Certain companies in India, including our Company, will be required to prepare financial statements in accordance with Ind-AS with effect from April 1, 2016. Ind-AS differs from Indian GAAP, IFRS and US GAAP in many ways and our financial statements relating to periods commencing April 1, 2016 prepared under Ind-AS may not be comparable to our historical financial statements prior to such period prepared under Indian GAAP. The Introduction of Ind-AS and other regulatory developments affecting fiscal matters in India may significantly affect preparation and presentation of our financial statements in the future.”* on page 24.

## FORWARD LOOKING STATEMENTS

Our Company has included statements in this Draft Letter of Offer which contain words or phrases such as ‘anticipate’, ‘believe’, ‘continue’, ‘can’, ‘could’, ‘estimate’, ‘expect’, ‘expected to’, ‘future’, ‘intend’, ‘is likely’, ‘may’, ‘objective’, ‘plan’, ‘potential’, ‘project’, ‘pursue’, ‘shall’, ‘should’, ‘will’, ‘will continue’, ‘would’, or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements. By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

All forward looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from plans, objectives, estimates, intentions and expectations expressed in such forward looking statements include, but are not limited to:

- General economic and business conditions in the markets in which we operate;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans;
- Our ability to maintain our relationships with our customers and leverage such relationships in the future;
- Increasing competition in or other factors affecting the industry;
- Our ability to manage our raw material costs and sell our products at competitive prices in light of downward pricing pressure from our customers;
- Our ability to attract and retain qualified personnel;
- Any adverse outcome in the legal proceedings in which we are involved;
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political, economic, social conditions in India, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Changes in the value of the Rupee and other currency changes;
- Changes in the foreign exchange control regulations in India;
- Changes in government policies and regulatory actions that apply to or affect our business;
- The performance of the financial markets in India and globally; and
- The occurrence of natural disaster or calamities.

For a further discussion of factors that could cause our Company’s actual results to differ, please refer to the section titled “*Risk Factors*” on page 12. By their very nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections.

The forward-looking statements contained in this Draft Letter of Offer are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of our Company. Whilst our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchange requirements, our Company and Lead Manager will ensure that Investors are informed of material developments until the time of the grant of listing and trading permission for the Rights Equity Shares by the Stock Exchange.

## SECTION II – RISK FACTORS

An investment in our Equity Shares involves a degree of risk. You should consider all information in the Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. Investors should carefully consider all the information contained in the section titled “Financial Information” on page 165 for the information related to the financial performance of our Company. If any of the following risks or any of the risks and uncertainties discussed in the Draft Letter of Offer or other risks that are not currently known or are now deemed immaterial, actually occur, our business, cash flow, financial condition and results of operations could suffer, the price of our Equity Shares could decline and you may lose all or part of your investment.

The risk set out in the Draft Letter of Offer may not be exhaustive. Additional risk may arise from uncertainties not presently known to us or some risk may become material in the future. Further, some events may have a material impact from a qualitative perspective rather than a quantitative perspective and may be material collectively rather than individually. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. Before making an investment decision, investors must rely on their own examination of the offer.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section.

### Internal risk factors

1. **There are legal proceedings currently outstanding involving our Company, Promoters and Group Companies. Any adverse decision may render us liable to liabilities and may adversely affect our business, results of operations and profitability.**

There are certain outstanding legal proceedings initiated against our Company, Promoters and Group Companies. These legal proceedings are pending at different levels of adjudication before various courts and regulatory bodies. The amounts claimed in these proceedings have been disclosed to the extent ascertainable as on date of this Draft Letter of Offer. Should any new developments arise, such as any change in applicable Indian laws or any rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities. There can be no assurance that these proceedings will not be determined adversely to us or that penal or other action will not be taken against our Company. Any adverse decision in such proceedings may have an adverse effect on our business, results of operations and financial condition. A summary of material litigation and disputes against our Company, Promoters and Group Companies is as follows:

#### a. Litigations / Proceedings filed against our Company

| Sr. No. | Nature of Matter                              | No. of Cases | Amount (to the extent quantifiable)<br>(₹ in lakhs) |
|---------|---|--------------|---|
| 1       | Litigation involving Direct Tax Liabilities   |              |   |
|         | Appeals Filed by IT Department                | 1            | 7.16  |
|         | Appeals Filed by Company                      | 2            | 683.25  |
| 2       | Litigation involving Indirect Tax Liabilities | 10           | 26.41   |

#### b. Litigations / Proceedings initiated by our Company

| Sr. No. | Nature of Matter                                      | No. of Cases | Amount (to the extent quantifiable)<br>(₹ in lakhs) |
|---------|---|--------------|---|
| 1       | Litigation involving Criminal Matters                 | 2            | 3.50  |
| 2       | Litigation involving Statutory/Regulatory Authorities | 5            | 1,806.45  |
| 3       | Litigation involving Indirect Tax Liabilities         | 119          | 146.84  |

**c. Litigations / Proceedings filed against our Corporate Promoters**

| Sr. No. | Nature of Matter   | No. of Cases | Amount (to the extent quantifiable) (₹ in lakhs) |
|---------|--|--------------|--|
| 1       | Litigation involving Criminal Matters                          | 2            | -  |
| 2       | Litigation involving actions by statutory/regulatory authority | 2            | -  |
| 3       | Litigation involving Direct Tax Liabilities                    |              |  |
|         | Appeals filed by IT Department                                 | 15           | 1,468.85   |
|         | Appeals filed by Company                                       | 21           | 16,805.51  |
| 3       | Litigation involving Indirect Tax Liabilities                  | 13           | 455.12   |

**d. Litigations / Proceedings initiated by our Corporate Promoters**

| Sr. No. | Nature of Matter                              | No. of Cases | Amount (to the extent quantifiable) (₹ in lakhs) |
|---------|---|--------------|--|
| 1       | Litigation involving Criminal Matters         | 11           | -  |
| 2       | Litigation involving Indirect Tax Liabilities | 36           | 1,603.51   |

**e. Litigations / Proceedings filed against our Group Companies**

| Sr. No. | Nature of Matter                              | No. of Cases | Amount (to the extent quantifiable) (₹ in lakhs) |
|---------|---|--------------|--|
| 1       | Litigation involving Direct Tax Liabilities   |              |  |
|         | Appeals filed by IT Department                | 17           | 1,442.61   |
|         | Appeals filed by Company                      | 8            | 563.61   |
| 2       | Litigation involving Indirect Tax Liabilities | 45           | 1,738.82   |

**f. Litigations / Proceedings initiated by our Group Companies**

| Sr. No. | Nature of Matter                              | No. of Cases | Amount (to the extent quantifiable) (₹ in lakhs) |
|---------|---|--------------|--|
| 1       | Litigation involving Criminal Matters         | 16           | 143.94   |
| 2       | Litigation involving Indirect Tax Liabilities | 34           | 246.92   |

Our failure to successfully defend claims could result in our business, prospects, financial condition and results of operations being adversely affected. For more information regarding pending litigation, please see the section titled “*Outstanding Litigations and Other Defaults*” on page 240.

2. ***Our business is significantly dependent on our manufacturing facilities, and the loss or shutdown of operations at our manufacturing facilities may have a material adverse effect on our business, financial condition, results of operations and cash flows.***

We have facilities only in Ludhiana, Punjab, through which we carry out our manufacturing operations, which exposes us to a significant concentration risk. Our manufacturing facilities are subject to operating risks, such as (i) the risk of substantial disruption or shutdown due to breakdowns or failure of equipment, natural disasters, storms, fires, explosions, earthquakes, floods and other catastrophic events, which could cause power interruptions and water shortages, actual, potential or suspected epidemic outbreaks, terrorist attacks and wars, labour disputes, strikes, lock-outs, loss of services of our external contractors, and industrial accidents, (ii) performance below expected levels of output or efficiency, and (iii) obsolescence.

Our facility and equipment would be difficult and costly to replace on a timely basis. Moreover, catastrophic

events could also destroy any inventory located at our facility. If there is any prolonged disruption or shutdown of operations at our manufacturing facilities, we may not be able to replace the equipment or inventories, or set up different facilities to continue our operations in a timely and cost-effective manner or at all. We may not be able to recover from damages or interruptions caused to our manufacturing facilities in a timely manner or at all. The occurrence of any such event could result in the temporary or long-term closure of our manufacturing facilities, severely disrupt our business operations and materially and adversely affect our business, results of operations, financial condition and cash flows.

**3. *Underutilization of capacity of our Existing Manufacturing Facilities may adversely affect our business, results of operations and financial condition.***

As on 31<sup>st</sup> March, 2016 our company had melting capacity for manufacturing 1,25,000 MTPA of Steel bars and rods. To meet the envisaged incremental demand, we have undertaken an expansion to increase our melting capacity to 1,60,000 MTPA within budgeted capital cost of ₹ 3,690 lakhs. We cannot assure that we shall be able to utilize our existing manufacturing facilities to their full capacity or up to an optimum capacity, and non-utilisation of the same may lead to loss of profits or can result in losses, and may adversely affect our business, results of operations and financial condition. Even use of the production capacity is subject to several variables like availability of raw material, power, water, proper working of machinery, orders in hand, supply/demand, manpower, etc.

**4. *We derive a significant portion of our revenues from our top 5 (five) customers, and any failure to maintain our relationships with such customers could have an adverse effect on our business, results of operations and profitability.***

We derive a significant portion of our revenues from top 5 (five) customers of the Company. In the Financial Years 2014, 2015 and 2016, our top 5 customers accounted for 43%, 34% and 37% respectively, of our total revenue from operations. While our top 5 customers are not necessarily the same every year, they contribute a significant portion of our revenues. The loss of business derived from these customers or a significant reduction in, the revenues we receive from, one or more of these customers may adversely affect our business.

**5. *If we are unable to accurately forecast demand for our products, our business, cash flows, financial condition and prospects may be adversely affected.***

The volume and timing of sales to our customers may vary due to variation in demand for our customers' products, our customers' attempts to manage their inventory, design changes, changes in their product mix, manufacturing strategy and growth strategy, and macroeconomic factors affecting the economy in general and our customers in particular. Further, decline in demand for existing products, or insufficient demand for new products launched by our customers may affect demand for our products from such customers. Our inability to forecast the level of customer demand for our products, process innovation and value engineering costs as well as inability to accurately schedule our raw material purchases and production and manage our inventory may adversely affect our business and cash flows from operations.

We manufacture products for our customer by way of purchase orders received from such customers. These purchase orders specify the price at which the products are to be supplied and the quantities supplied are based on delivery schedules provided by the customers based on their own demand and supply situation. Although our customers provide us with forecasts of annual or quarterly business volumes, which enable us to predict our income for a portion of our business, the actual orders are only placed by way of purchase orders. Our customers do not provide a firm commitment for any specific product quantity and purchase orders may be amended or cancelled prior to finalisation. Product quantities are typically based on delivery schedules received from the customers at short intervals, making it difficult for us to forecast revenue, production or sales.

Actual production volumes may vary from these estimates due to variations in consumer demand leading to underutilized capacity or incurring additional expenditure to deploy additional resources to meet delivery timelines. In addition, in the event of significant cuts in production schedules announced by customers with little advance notice, we may be unable to respond with corresponding production and inventory reductions. Significant reduction in demand for our products from a major customer may have an adverse effect on our business, financial condition, results of operations and prospects. While our customers may share annual or quarterly forecasts with us, we do not have any recourse against our customers in the event of a reduction in

the forecasted volume.

Moreover, as many of our operating expenses are relatively fixed, an unanticipated change in customer demand may adversely affect our liquidity and financial condition. We typically commit to order raw materials and components from our own suppliers based on customer forecasts and orders.

Cancellation by customers or delay or reduction in their orders or instances where anticipated orders fail to materialize can result in mismatch between our inventories of raw materials and components and of manufactured products, thereby increasing our costs relating to maintaining our inventory and reduction of our margins, which may adversely affect our profitability and liquidity.

**6. *Pricing pressure from our customers may adversely affect our profitability and results of operations.***

Downward pricing pressure from our customers, due to growing imports from China and rising cost of production in the country, may adversely affect our profitability and results of operations. In addition, estimating the impact of such pricing pressure is subject to a host of uncertainties as any price reductions are a result of negotiations and other factors. Such price reductions may affect our revenues and profit margins. If we are unable to offset such price reductions in the future through improved operating efficiencies and other cost reduction initiatives, our business, financial condition and results of operations may be adversely affected.

**7. *Our products are subject to rejection by our customers if they do not meet the quality and technical requirements of our customers.***

We manufacture products on the basis of the specifications provided by our customers and such products are customized for their requirements. Some of our customers conduct quality testing of our products after receiving delivery of the products. In the event our products do not meet the specifications of our customers including the technical or quality parameters required by the customers, then our customers may reject the products. There can be no assurance that we will be able to procure alternate customers for our products and at a favourable price. Any substantial rejection of our products and/or our inability to procure other customers for our products will adversely affect our financial position. If product is not sold, it may be re-melted and processed again.

**8. *Our business is dependent on our continuing relationships with our customers, with whom we have not entered into long term arrangements.***

While in a few instances, we operate on a rate contract basis, we do not have long term arrangements with all of our customers for purchase of our products in the future, at fixed prices. The loss of, or interruption of work by, a significant customer or a number of significant customers or our inability to procure contracts on a regular basis or at all may have an adverse effect on our revenues, cash flows and operations, including an interruption or partial or total work stoppage at our manufacturing facilities.

**9. *We have not entered into any agreement in respect of long term supply for raw materials required by us and as such we are susceptible to fluctuations in the cost of raw materials.***

We are dependent on our suppliers for uninterrupted supply of raw-materials. We procure our supply of raw materials from various domestic and overseas suppliers depending upon the price and quality of raw materials. While we are not dependent on any one particular supplier for supply of raw materials, any disruption of such supply of raw materials from our suppliers will adversely affect our operations and ability to deliver our products on a timely basis. Further, our profitability is partly dependent on our ability to anticipate and adapt to changes in the cost of raw materials. The prices of these raw materials are subject to price fluctuation due to various factors beyond our control, including but not limited to severe climatic conditions, governmental regulations, which may reduce supply and lead to increase in supply costs. In the event that we are unable to anticipate and adapt to changing supply costs by adjusting our purchasing practices or we are unable to negotiate favourable pricing terms with our suppliers for such raw materials, then our business, profitability and financial performance may be materially and adversely affected. Further, any disruption in the adequate and timely supply of raw materials or unavailability of raw materials may adversely affect our business and results of operations.

**10. We face competition in our businesses, which may limit our growth and prospects.**

Our Company faces competition in the industry that we are involved in. We compete with other companies, both in India and abroad. We compete on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation and price. Our competitors may have advantages over us, including, but not limited to:

- Substantially greater financial resources;
- Greater brand recognition among consumers;
- Larger customer bases in and outside India;
- More diversified operations which allow profits from certain operations to support others with lower profitability; or
- More experience and expertise.

These competitive pressures may affect our business, and our growth will largely depend on our ability to respond in an effective and timely manner to these competitive pressures.

**11. Our Company has had negative cash flows in the past years, details of which are given below. Sustained negative cash flow could impact our growth and business.**

We have incurred negative cash flow in the past and cannot assure that such negative cash flows will not occur again in the future. Details of cash flows for the preceding three years:

| Particulars   | Fiscal 2016     | Fiscal 2015     | Fiscal 2014       |
|---|-----------------|-----------------|-------------------|
|   | (₹ in Lakhs)    |                 |                   |
| Net cash (used in)/ generated from operating activities           | 5,009.99        | (3,325.44)      | (3,589.52)        |
| Net cash generated (used) in/ generated from investing activities | (2,013.17)      | (314.55)        | 5,237.47          |
| Net cash (used in)/ generated from financing activities           | (3,482.61)      | 3,115.00        | (3,285.61)        |
| <b>Net increase in cash and cash equivalents</b>                  | <b>(485.79)</b> | <b>(524.99)</b> | <b>(1,637.66)</b> |

In case, we have negative cash flows in future, it could adversely impact our operations and financial standing of our Company.

**12. We depend significantly on sales in India, any decrease in which will adversely affect our business, revenue, results of operations and cash flows.**

In Fiscal 2016, we derived ₹ 68,289.24 lakhs, constituting 94% of our revenue from operations from India. Existing and potential competitors may increase their focus on India, which could reduce our market share. For example, our competitors may intensify their efforts to capture a larger market share by undertaking aggressive pricing strategies and increasing their focus on product development. If we are unable to compete effectively in India, it could adversely affect our sales volumes and pricing levels for our products in India, as well as erode our market share. In the event that we experience adverse effects on our sales volumes or pricing levels, or loss of market share, due to increased competition or otherwise, it could adversely affect our business, revenue, results of operations and cash flows.

**13. Our indebtedness and the conditions and restrictions imposed by our financing agreements could adversely affect our ability to conduct our business and operations.**

As of March 31, 2016, we had long term borrowings (excluding current maturities of long term borrowings) of ₹ 12,955.43 lakhs and short term borrowings of ₹ 16,682.35 lakhs. We may incur additional indebtedness in the future. Our ability to meet our debt service obligations and repay our outstanding borrowings depends primarily on the revenue generated by our business. We cannot assure you that we will generate sufficient revenues to service existing or proposed borrowings or fund other liquidity needs.

Further, our financing agreements contain certain restrictive covenants and events of default that limit our ability to undertake certain types of transactions, which may adversely affect our business and financial condition. These financing agreements also require us to maintain certain financial ratios. Covenants under our financing agreements include restrictions on:

- a) Raise further debt;
- b) Effect any change in the borrower's capital structure where the shareholding of the existing promoter(s) get diluted below 51%.
- c) Pledge promoter's shares to any bank / NBFC / Institutions;
- d) Effect any scheme of amalgamation or reconstruction or merger or de-merger;
- e) Any new project of scheme of expansion or acquisition of fixed assets if such investment results in breach of financial covenant(s) or diversion of working capital funds to financing of long-term assets;
- f) Investment by way of share capital in or loan or advance funds to or place deposits with any other concern (including group companies); Further such investment should not result in breach of financial covenants relating to TOL/Adj. TNW and current ratio agreed upon at the time of sanction;
- g) Enter into borrowing arrangement either secured or unsecured with any other bank financial institution, company or otherwise or accept deposits which increases indebtedness beyond permitted limits, stipulated if any at the time of sanction;
- h) Issue any guarantee or letter of comfort in the nature of guarantee on behalf of any other company (including group companies);
- i) Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default is subsisting in any repayment obligations to the bank(s);
- j) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons;
- k) Sell, assign mortgage or otherwise dispose of any of the fixed assets charged to the bank(s). However, fixed assets to the extent of 5% of Gross Block may be sold in any financial year provided such sale does not dilute FACR (Fixed Asset Coverage Ratio) below minimum stipulated level. (Not applicable for unsecured loans);
- l) Enter into any contractual obligation of a long term nature (i.e. 2 years or more) or which, in the reasonable assessment of the Bank(s), is an unrelated activity and is detrimental to lender's interest;
- m) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees etc. except where mandated by any legal or regulatory provisions;
- n) Any trading activity other than the sale of products arising out of its own manufacturing operations;
- o) Transfer of the controlling interest or making any drastic change in the management set-up including resignation of promoter directors (including key managerial personnel);
- p) Repay monies brought in by the promoters/directors/principal shareholders and their friends and relatives by way of deposits/loans/advances. Further, the rate of interest, if any, payable on such deposits/loans/advances should be lower than the rate of interest charged by the bank(s) on its term loan and payment of such interest will be subject to regular repayment of installments to term loans granted / deferred payment guarantees executed by the bank(s) or other repayment obligations, if any, due from the borrower to the Bank;
- q) Opening of current account with another bank or a bank which is not a member of consortium; and
- r) Payment of commission to the guarantor(s) for guaranteeing the credit facilities sanctioned by the Bank(s).

For brief of other conditions please refer "Financial Information" on page 165.

Failure to meet the conditions listed above or obtain consents from lenders, as may be required, could have significant consequences for our business. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements, and may materially and adversely affect our ability to conduct our business and operations or implement our business plans. Moreover, our ability to borrow and the terms of our borrowings depend on our financial condition, the stability of our cash flows and our capacity to service debt in a rising interest rate environment.

***14. Our success depends on the continued efforts of our senior managerial personnel and our ability to attract and retain skilled personnel. Any loss of our senior managerial personnel could adversely affect our business, results of operations and financial condition.***

We depend significantly on the expertise, experience and continued efforts of our senior managerial personnel. If one or more members of our senior managerial personnel are unable or unwilling to continue in his/ her present position, it could be difficult to find a timely replacement and our business could be adversely affected. Our future success will also depend on our ability to attract highly skilled personnel. Competition

for senior managerial personnel in our industry is intense and it is possible that we may not be able to retain our existing senior managerial personnel or may fail to attract/retain new employees at equivalent positions in the future. As such, the loss of our senior managerial personnel could adversely affect our business, results of operations and financial condition.

**15. Our Directors and senior managerial personnel may have interests in us other than reimbursement of expenses incurred or normal remuneration or benefits.**

Our Directors and senior managerial personnel are also interested in us to the extent of their shareholding and remuneration paid to them for services rendered as our Directors and senior managerial personnel and reimbursement of expenses payable to them. For more information, please see the section titled “Our Management” and “Financial Information” on page 114 and 165, respectively.

**16. Our contingent liabilities could adversely affect our financial condition.**

As of March 31, 2016, we had contingent liabilities not provided for, as disclosed in the notes to our Audited Financial Statements:

(i) There are contingent liabilities in respect of:

| Particulars   | As at                        | As at                        |
|---|------------------------------|------------------------------|
|   | 31 <sup>st</sup> March, 2016 | 31 <sup>st</sup> March, 2015 |
|   | (₹ in Lakhs)                 |                              |
| a) Bank Guarantees and Letters of Credit Outstanding    | 5,498.69                     | 7,414.05                     |
| b) Other Contingent Liabilities                         | 2,209.94                     | 232.61                       |
| c) Claims Against the Company Not Acknowledged as Debts | 73.87                        | 371.13                       |

(ii) Other Contingent Liabilities include additional demands in respect of Income Tax/Excise Duty/Service Tax / Sale Tax/VAT amounting to ₹2,209.94 Lakhs (Previous Year ₹603.74 Lakhs) in different cases, which have been contested by the Company and various appeals have been filed with the Appellate Authorities. No provision has been made in the books of accounts in respect thereof.

Our contingent liabilities may become actual liabilities. In the event that any of our contingent liabilities materialize, our business, financial condition and results of operations may be adversely affected. Furthermore, there can be no assurance that we will not incur similar or increased levels of contingent liabilities in the current fiscal year or in the future. For further details, see section titled “Financial Information” on page 165.

**17. We have incurred losses for the Fiscals 2015 and 2014, and may experience similar losses in the future.**

Our Company incurred a net loss of ₹ 1,478.02 lakhs and ₹ 1,194.74 lakhs, for the Fiscal 2015 and Fiscal 2014, respectively. While we recorded a net profit of ₹ 490.25 lakhs for the Fiscal 2016, we cannot guarantee that we will continue to be profitable in the future. We may incur losses in the future for a number of reasons, including the other risks described in this Draft Letter of Offer, and we may also encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we incur losses in the future, our financial condition, our reputation and the market price of our Equity Shares could suffer.

**18. We require number of approvals, licenses, registrations and permits for our business and failure to obtain or renew them in a timely manner may adversely affect our operations.**

We require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for fixed periods of time and need renewal from time to time. While we believe that we will be able to obtain the required permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any or all requisite permits or approvals in the time frame anticipated by us, or at all. Non-renewal of the said permits and licenses would adversely affect our Company’s operations, thereby having a material adverse effect on our business, results of operations and financial condition. Further, some of our permits, licenses and approvals are subject to several conditions and we cannot provide any assurance that we will be able to continuously meet such conditions or be able to prove compliance with such conditions to the statutory authorities, which may lead to the cancellation,

revocation or suspension of relevant permits, licenses or approvals. Any failure by us to apply in time, to renew, maintain or obtain the required permits, licenses or approvals, or the cancellation, suspension or revocation of any of the permits, licenses or approvals may result in the interruption of our operations and may have a material adverse effect on the business. For further details, please refer to the section titled "Government and Other Key Approvals" on page 256.

**19. *Our Promoter and Promoter Group will continue to hold majority shareholding after the completion of the Issue.***

As of December 31, 2016, our Promoter and Promoter Group held 74.97% of our issued, paid-up and subscribed Equity Share capital. Further, consequent to the Issue, the shareholding of the Promoter and Promoter Group in our Company may decrease marginally due to the employee reservation portion. For further details, please see the section titled "Capital Structure" on page 48.

Accordingly, our Promoter and Promoter Group will continue to exercise control over us, including being able to influence the composition of our Board and influence matters requiring shareholder approval. Our Promoter and Promoter Group may take or block actions with respect to our business, which may conflict with our interests or the interests of our minority shareholders. Through their influence, our Promoter and Promoter Group may be in a position to delay, defer or cause a change of our control or a change in our capital structure, delay, defer or cause a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

**20. *Our Company, Promoters and Group Companies have availed certain loans which are repayable upon demand and/or notice by the relevant lenders. If such lenders call upon our Company, Promoters and Group Companies to repay such borrowings on demand and/or upon serving a notice for the prescribed period, we, our Promoters and Group Companies may have to raise funds to refinance these obligations, which may adversely affect respective business, operations, financial condition and cash flows.***

Our Company, Promoters and Group Companies have availed certain loans which are repayable upon demand and/or notice by the relevant lenders under the respective agreements. If such lenders call upon our Company, Promoters and Group Companies to repay such borrowings on demand and/or upon serving a notice for the prescribed period, we, our Promoters and Group Companies may have to raise funds to refinance these obligations. If we, our Promoters and Group Companies are unable to raise such finance in a timely manner or at all or any failure to otherwise repay such loans in a timely manner or at all, could adversely affect respective or our business operations, financial condition and cash flows.

**21. *Our insurance coverage may not adequately protect us against possible risk of loss.***

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks and are subject to exclusions and deductibles. If our production facility is damaged in whole or in part and our operations are interrupted for a sustained period due to fire and similar perils, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition, results of operations and cash flows may be materially and adversely affected.

**22. *We may not be successful in implementing our strategies, including our growth strategy.***

The growth of our business will depend greatly on our ability to effectively implement our business and strategies. Even if we have executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted customers. We expect our strategies to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

**23. *As we generate revenue and incur expenses in multiple currencies, exchange rate movements may have an adverse effect on our results of operations and cash flows.***

We have foreign currency exposure related to foreign-denominated revenues and costs, including export sales and costs of imported equipment and material. For example, in Fiscal 2016, our earnings in foreign currency on an accrual basis were ₹ 3,935.19 lakhs, and our expenditure in foreign currency were ₹1,23,77.82 lakhs. We expect that our foreign currency exposure will increase as our business grows. Significant currency exchange rate fluctuations and currency devaluations could have an adverse effect on our results of operations and cash flows from period to period.

**24. *The requirement of funds in relation to the Objects of the Issue has not been appraised and our budgeted expenditure program may change.***

We intend to use the Issue Proceeds for the purposes as described under the section titled “*Objects of the Issue*” on page 71. The Objects of the Issue have not been appraised by any bank, financial institution or third party. These are based on management estimates. In view of the highly competitive nature of the industry in which we operate, we may have to revise such management estimates from time to time and consequently our funding requirements may also change.

**25. *Our ability to pay dividend in the future will depend upon future earnings, financial conditions, cash flows, working capital and capital expenditure requirements.***

Our Company has not declared any dividend for the preceding three fiscals. Our Company cannot give any assurance that dividend will be paid in future. The declaration and payment of any dividend in the future will be recommended by our Board of Directors, at their discretion, and will depend on a number of factors like its earnings, cash generated from operations, capital requirements and overall financial condition.

**26. *The Funds raised from the Issue may remain idle.***

The deployment of the funds is based on certain assumptions and strategy which our Company intends to implement in future. The funds raised from the Issue may remain idle on account of change in assumptions, market conditions, strategy of our Company, etc. For further details on the use of the issue Proceeds, please refer to the section titled – Objects of the Issue on page 71.

**27. *Our object of the Issue are being funded from the Issue proceeds and any delay or deferment of the receipt of such proceeds may delay the implementation of the plan, hamper capacity utilization, increase our interest burden and may adversely affect our result of operations and financial conditions.***

In case there is any delay in receipt of the Issue proceeds, it may have a negative impact on the plans of our Company and may hamper capacity utilisation. This may result in increase in our interest burden for the debt portion and adversely affect our results of operations and financial conditions.

**28. *We have high working capital requirements. Our inability to meet our working capital requirements may have a material adverse effect on our business, financial condition and results of operations.***

Our business requires a significant amount of working capital for smooth functioning. Though we are raising funds for meeting enhanced Working Capital requirements, we meet our requirement for working capital majorly through banking facilities/commercial paper or internal accruals. In future, our inability, if any to meet our working capital requirements or inability to renew our existing working capital requirements through banking arrangements can adversely impact our business operations and financial position.

**29. *Our Company is leveraged and downturn in the turnover may affect our ability for debt servicing.***

Our term loan stands at ₹ 17,123 lakhs and buyers’ credit stands at ₹ 1,325 lakhs, as per audited results dated 31<sup>st</sup> March, 2016. Though part of the Issue Proceeds will be used to reduce long term debt, our long-term debt to equity ratio may increase in future. Our capacity to service these debts depends on our continued profitability and availability of liquid assets. Any adverse change in debt equity ratio may also affect our borrowing capacity. In case we are unable to achieve the desired growth, due to internal constraints or external factors like adverse developments in the industry, rising interest rate scenario, we may find it difficult to service the debt and this may affect our profitability and growth adversely.

**30. The deployment of funds raised through this Issue shall not be subject to any Monitoring Agency and shall be purely dependent on the discretion of the management of our Company.**

Since the Issue size is less than ₹50,000 lakhs, there is no mandatory requirement of appointing an Independent Monitoring Agency for overseeing the deployment of utilization of funds raised through this Issue. The deployment of these funds raised through this Issue, is hence, at the discretion of the management and the Board of Directors of our Company and will not be subject to monitoring by any independent agency. Any inability on our part to effectively utilize the Issue proceeds could adversely affect our financials. However, our Company will be required to report the utilization of the Issue Proceeds.

**31. Some of our Group Companies have incurred losses in the past years. Sustained losses by Group Companies could adversely affect our Promoters' financial condition.**

Some of our Group Companies have incurred losses in the recent past, as detailed below:

| Name of entity                              | Profit/ (Loss) after Tax (₹ in lakhs)<br>For the Financial Year ended |       |          |
|---|---|-------|----------|
|   | 2016  | 2015  | 2014     |
| Vardhman Nisshinbo Garments Company Limited | 200.00  | 14.82 | (413.16) |

There can be no assurance that these entities or any other ventures promoted by our Promoters will not incur losses in any future periods, or that there will not be any other adverse effect on our Promoters' financial condition.

**32. Our Lenders have charge over our movable and immovable properties in respect of financial facilities availed by us.**

We have secured our lenders by creating charge over our movable and immovable properties. In the event of our default in repayment of the financial facilities availed by us and any interest thereon, our Lenders may enforce their claims. For further information on the financing and loan agreements along with the total amounts outstanding, please refer to the section titled - Financial Indebtedness on page 232.

**33. Delays or defaults in customer payments could result in a reduction of our profits and cash flows.**

We often commit resources to orders prior to receiving advances or other payments from customers in amounts sufficient to cover expenditures on orders as they are incurred. If the customers delay or default in making payments on an order, or cancel their orders for which we have devoted significant resources or incurred expenditure, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may also be subject to working capital shortages due to delays in customer payments. These events could have a material adverse effect on our revenues, results of operations, profitability and cash flows.

**34. We have entered into and may continue to enter into related party transactions in the future. As per our Restated Financial Statements, for the financial year ended March 31, 2016, the aggregate of such transactions was ₹12,290.08 lakhs. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our Company's financial condition and results of operations.**

Our Company has entered into certain related party transactions with its Promoter/Promoter Group/Group Entities/ Directors/ Key Managerial Personnel. Our Promoters, Directors and Key Managerial Personnel may be deemed to be interested in our Company to the extent of the Equity Shares held by them, or their relatives, benefits deriving from their directorship in our Company and arising from transactions entered into between our Company and themselves as well as between our Company and our Group Entities. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that our Company could not have achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that our Company will enter into related party transactions in the future.

- 35. *Our business prospects and continued growth depends on our ability to access financing at competitive rates and competitive terms, which amongst other factors is dependent on our credit rating. We may not be able to avail the requisite amount of financing or obtain financing at competitive interest rates for our growth plans and cannot assure that we will obtain the desired credit ratings of our Company, in the future, which could have a material adverse effect on our business, results of operations and financial condition.***

Our business depends on our ability to obtain funds at competitive rates. The cost and availability of capital, amongst other factors, is also dependent on our current and future results of operations and financial condition, our ability to effectively manage risks, our brand and our credit ratings. We may not be able to avail the requisite amount of financing or obtain financing at competitive interest rates if we fail to have favourable results of operations. Currently, rating for our long-term borrowings and short-term borrowings is CRISIL AA- and CRISIL A1+ respectively. But, if we are not able to maintain the same, it could lead to high borrowing costs and limit our access to capital and lending markets and, as a result, could adversely affect our business.

- 36. *Product liability claims could adversely affect our Company's operations.***

Our Company sells products to manufacturers who are engaged to sell a wide range of end products. Furthermore, our Company's products are also sold to, and used in, certain safety-critical applications. If our Company were to sell steel bars & rods that do not meet specifications or the requirements of the application, significant disruptions could occur to the production lines of our customers. There could also be significant consequential damages resulting from the use of such products. Our Company has obtained product liability insurance coverage but a major claim for damages related to products sold could leave our Company uninsured against a portion of the costs, which may materially harm its financial condition and future operating results.

- 37. *We rely on contractors for the implementation of various aspects of our business, and are therefore, exposed to execution risks, including in relation to the timing or quality of their services, equipment or supplies.***

We rely on contractors for the implementation of various aspects of our business, and are therefore, exposed to execution risks, including in relation to the timing or quality of their services, equipment or supplies.

We rely on the availability of skilled/ experienced contractors for the implementation of our plans, managing the unskilled and semi-skilled labour at our sites, and on-going operation of various aspects of our business. We enter into arrangements with contractors for execution of various jobs which require a certain level of skill to achieve the quality standards. We have to impart the necessary training to get the desired quality of the jobs along with ensuring safety. Third party contracts expose us to various risks, including execution risk, credit risk, settlement risk, operational risk, legal risk and reputation risk.

- 38. *We could be harmed by employee misconduct or errors that are difficult to detect and any such incidences could adversely affect our financial condition, results of operations and reputation.***

Employee misconduct or errors could expose us to business risks or losses, including regulatory sanctions and serious harm to our reputation. There can be no assurance that we will be able to detect or deter such misconduct. Moreover, the precautions we take to prevent and detect such activity may not be effective in all cases. Our employees and agents may also commit errors that could subject us to claims and proceedings for alleged negligence, as well as regulatory actions on account of which our business, financial condition, results of operations and goodwill could be adversely affected.

- 39. *Failure to maintain adequate health and safety standards may cause our Company to incur significant costs and liabilities and may damage our Company's reputation.***

Our Company is subject to a broad range of health and safety laws and regulations in the jurisdiction in which it operates. These laws and regulations, as interpreted by the relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the imposition of civil and/or criminal penalties, the suspension of permits or operations and lawsuits by third parties. Despite our Company's efforts to monitor and reduce accidents at its facilities, there

remains a risk that health and safety incidents may occur. Such incidents could include explosions or pressure vessel / storage tanks leaks, fires or other incidents involving exposure to potentially hazardous materials. Some of our Company's manufacturing activities involve the use, storage and transport of chemicals and toxic substances, and our Company is therefore subject to the risk of industrial accidents which could have significant adverse consequences for our Company's workers and facilities, as well as the environment. Such incidents could lead to production stoppages, the loss of key assets, or put at risk employees (including those of sub-contractors and suppliers) or persons living near the affected site. In addition, such incidents could damage our Company's reputation, leading to the rejection of products by customers, These events could have a material adverse effect on our revenues, results of operations, profitability and cash flows and diversion of management time into rebuilding and restoring its reputation.

***40. We are subject to risk of fraud, theft, embezzlement by our employees, contractors and customers, employee negligence or similar incidents may adversely affect our results of operations and financial condition.***

Our operations may be subject to incidents of theft or damage to inventory in transit, prior to or during stocking. We may also encounter some inventory loss on account of employee/contractor/vendor fraud, theft, embezzlement and general administrative error. Although, we have set up various security measures, including tagging our products, CCTV in our offices and the existing manufacturing facility at Ludhiana, deployment of security guards and follow stringent operational processes such as periodic stock taking there can be no assurance that we will not experience any fraud, theft, employee negligence, security lapse, loss in transit or similar incidents in the future, which could adversely affect our results of operations and financial condition.

***41. Increased competition for skilled employees and salary increases for our employees may reduce our profit margin.***

Due to sustained economic growth in India and increased competition for skilled employees in India over the last few years, wages of skilled employees are increasing at a fast rate. Accordingly, we may need to increase our levels of employee compensation rapidly to remain competitive in attracting the quality of employees that our business requires. Salary increases may reduce our profit margins and have a material and adverse effect on our results of operations.

***42. The steel industry is capital intensive in nature and factors affecting the demand for the products manufactured by us could affect our results of our operations.***

Since we operate in a capital intensive industry, our operations involve a high level of fixed cost. If our sales volumes decline, then we may experience a sharp decrease in the profits earned as our fixed cost component cannot be removed or reduced. This may result in an adverse effect on our financial condition, cash-flows and business operations.

***43. Any increase in interest rates would have an adverse effect on our results of operations as our Company is exposed to interest rate risks.***

We are dependent upon the availability of equity, cash balances and debt financing to fund our operations and growth. Our secured debt has been availed at floating rates of interest. Any fluctuations in interest rates may directly impact the interest costs of such loans and, in particular, any increase in interest rates could adversely affect our results of operations. Furthermore, our indebtedness means that a material portion of our expected cash flow may be required to be dedicated to the payment of interest on our indebtedness, thereby reducing the funds available to us for use in our general business operations. If interest rates increase, our interest payments will increase and our ability to obtain additional debt and non fund based facilities could be adversely affected with a concurrent adverse effect on our business, financial condition and results of operations. For further details, please refer section titled - Financial Indebtedness on page 232.

***44. We are required to meet our export obligations pursuant to the Government of India's Export Promotion Capital Goods Scheme, failing which, our Company may be liable to pay custom duty along with the applicable interest/penalty leviable on the same and this might have a material adverse effect on our financial condition and our results of operations.***

We have imported some of our equipment under licenses pursuant to the Government of India's Export

Promotion Capital Goods (EPCG) scheme. Our export obligation, as on November 30, 2016, amounts to ₹1,916.95 lakhs, which is required to be met within the next 6 years from the date of EPCG licence, failing which our Company may be liable to pay custom duty along with the applicable interest/penalty leviable on the same and this might have a material adverse effect on our results of operations and our business and financial performance will be adversely affected.

**45. *Grants of stock options under our employee stock option schemes will result in a change to our profit and loss and will, to that extent, reduce our profits.***

The Shareholders approved our employee stock option scheme, the VSSL Employees Stock Option Plan 2016 by way of a special resolution at their Annual General Meeting held on September 28, 2016 and approved the grant of 3,71,108 options, with each option representing one equity share of the Company at face value (i.e. ₹10.00 per share). As of September 30, 2016, out of the 3,71,108 stock options, we have granted 2,10,000 stock options under the VSSL ESOP, none of which have vested or been exercised. For further details on the grants under VSSL ESOP, see “Capital Structure” on page 48. In accordance with the “Guidance Note on Accounting for Employee Share-based Payments” as issued by the Institute of Chartered Accountants of India, we will recognise the cost of equity settled stock options using the Fair value method. Under Indian GAAP, the grant of stock options under employee stock option schemes will result in a charge to our profit and loss over the vesting period, based on the fair value of options determined on the date of grant.

**46. *Our investment in market related instruments could be risky***

We invest surplus funds in bonds, mutual funds, fixed deposits etc. which could be risky.

**External risk factors**

**1. *The recurrence of systemic events such as the recent global economic meltdown, demonetization, instability of economic policies and the political situation in India or globally may adversely affect our performance.***

Economic conditions in and outside India, may adversely impact the growth of the Indian economy, and Government policy may change in response to such conditions. Unstable internal and international political environment may impact the economic performance of the steel industry, including our Company, in the short and long term. Our business, and the market price and liquidity of our Equity Shares, may be affected by reactionary changes in interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India on account of any changes in the global economic scenario.. Several sectors are expected to face short term disruptions with the recent demonetization of five hundred and one thousand rupee currency notes, owing to significant amount of lower cash transactions, even though only a small portion of our transaction volume is in cash.

**2. *Certain companies in India, including our Company, will be required to prepare financial statements in accordance with Ind-AS with effect from April 1, 2016. Ind-AS differs from Indian GAAP, IFRS and US GAAP in many ways and our financial statements relating to periods commencing April 1, 2016 prepared under Ind-AS may not be comparable to our historical financial statements prior to such period prepared under Indian GAAP. The Introduction of Ind-AS and other regulatory developments affecting fiscal matters in India may significantly affect preparation and presentation of our financial statements in the future.***

Our Audited Financial Statements for FY15 and FY16 included herein are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial information included in this Draft Letter of Offer, nor do we provide a reconciliation of our financial statements to those of IFRS or U.S. GAAP. IFRS and U.S. GAAP may differ in significant respects from Indian GAAP.

The Ministry of Corporate Affairs, GoI, has through a notification dated February 16, 2015, set out the Ind-AS and the timelines for implementation of Ind-AS. Our Company is required to prepare its financial statements in accordance with Ind AS with effect from April 1, 2016. Given that Ind AS differs in many respects from Indian GAAP, our financial statements relating to any period subsequent to April 1, 2016 may not be comparable to our historical financial statements prepared under Indian GAAP

In this Draft Letter of Offer, we have not made any attempt to quantify or identify the impact of the

differences between Ind-AS and Indian GAAP as applied to our historical financial statements and there can be no assurance that the adoption of Ind-AS will not materially affect the preparation and presentation of our financial statements in the future. In addition, there can be no assurance that if Ind-AS were to be applied to our historical financial statements prepared under Indian GAAP, there will not be material differences in applicable accounting policies and standards that will require material adjustments to our historical financial statements prepared under Indian GAAP.

On a preliminary evaluation of the differences between Indian GAAP and Ind-AS, we are of the view that the following matters may have an impact on the preparation and presentation of our future financial statements, in accordance with Ind-AS, and to the extent applicable, our historical financial statements presented for comparative purpose. Certain differences between Indian GAAP and Ind-AS identified by our Management on the basis of discussions with our Statutory Auditors that may have an impact on the preparation of our financial statements, include, inter alia, financial liabilities, loans from related parties, non-current investments and trade receivables, revenue recognition, accounting treatment for property, plant and equipment (including spares), accounting treatment for proposed dividend, accounting of actuarial gains and losses of employee costs in “other comprehensive income”.

**3. *Changes in legislation or changes in the rules relating to tax regimes could significantly and adversely affect our business, prospects and results of operations.***

Tax and other levies imposed by the central and state governments in India that affect our tax liability include income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The central or state government may, in the future, increase the corporate income tax or any indirect taxes it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business, cash flows and results of operations.

In addition, the Indian Parliament has recently approved the adoption of a comprehensive national goods and services tax (“GST”) regime that combines taxes and levies by the Central and State Governments into a unified rate structure which has received the assent of the President of India. We may be impacted by the introduction of the GST, including, the increase of our working capital requirements, since transactions, including transfer of stock will be subjected to GST. We are unable to provide any assurance as to this or any other aspect of the tax regime following implementation of the GST.

Further, the General Anti-Avoidance Rules (“GAAR”) are proposed to be effective from April 1, 2017. If these GAAR provisions are made applicable to our Company, it may have an adverse tax impact on us. In the absence of any precedents on the subject, the application of these provisions could result in denial of tax benefit amongst other consequences which are uncertain.

We have not determined the impact of these proposed legislations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent, may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our business in the future.

**4. *A slowdown in economic growth in India could cause our business to suffer.***

A host of economic factors like change in rate of inflation, scarcity of credit, change in commodity energy prices, demonetization may impede our growth and expansion plans. Further, other factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, may also affect the business of our Company. Our results of operations and financial condition are dependent on, and may be adversely affected by, conditions in financial markets in the global economy and, particularly in India. Since our Company primarily conducts its business within the boundaries of India and all of its assets and employees are located in India, we are highly dependent on the prevailing market conditions in terms of our performance which is affected by the existing economic conditions. Any slowdown in the Indian economy may adversely affect our business, financial condition, results of operations and the price of our Equity Shares.

**5. *There could be political, economic or other factors that are beyond our control but may have a material adverse impact on our business and results of operations should they materialize.***

Our business and results of operations may be adversely affected by, among other factors, the following:

- A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India, thereby affect our Business;
- Civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war involving India or other countries could materially and adversely affect the financial markets which could impact our business. Such incidents could impact economic growth or create a perception that investment in Indian companies involves a higher degree in risk which could reduce the value of our Equity Shares;
- Natural disasters in India may disrupt or adversely affect the Indian economy, the health of which our business depends on.

**6. *Changes in technology may render our current technologies obsolete or require us to undertake substantial capital investments, which could adversely affect our results of operations.***

We may not be able to keep pace with the rapidly changing technological environment. Any such failure on our part could adversely affect our ability to compete efficiently, reduce our competitiveness, ability to develop new products and the consequential quality of our products, and could also adversely affect our sales and profitability. Our success will depend in part on our ability to anticipate and respond on a timely basis and economical basis to technological advances in the sector in which we operate. The introduction, development and implementation of such newer technologies in our manufacturing process especially involves technical and business risks. Further, our ability to provide for commensurate capital expenditure will also govern our ability to adopt new technology to provide for better and improved products. If we are unable, for any reasons, to adapt in a timely manner to changing market conditions, customer requirements, technological changes or make provision for the required capital expenditure to adapt these technological changes, it may adversely affect our business, results of operations and financial condition.

**7. *Any downgrading of India's sovereign debt rating by an independent agency may harm our ability to raise financing.***

Any adverse revisions to India's sovereign credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our capital expenditure plans, business and financial performance and the price of our Equity Shares.

**8. *The extent and reliability of Indian infrastructure, to the extent insufficient, could adversely impact our results of operations and financial condition.***

India's physical infrastructure is less developed than that of many nations. Any congestion or disruption with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have adverse effect on our results of operations and financial condition.

**9. *Investors may not be able to enforce a judgment of a foreign court against us or our management.***

The enforcement of civil liabilities by overseas investors in our Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that we are incorporated under the laws of the Republic of India and all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers, and promoters are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

**10. *There is no guarantee that the Rights Equity Shares issued pursuant to the Issue will be listed on the Stock Exchange in a timely manner or at all and any trading closures at the Stock Exchange may adversely affect the trading price of our Equity Shares.***

In accordance with Indian law and practice, permission for listing of the Rights Equity Shares will not be granted until after those Rights Equity Shares have been issued and allotted. In addition, we are required to deliver this Draft Letter of Offer and Letter of Offer to SEBI and the Stock Exchange under the applicable provisions of the Companies Act and the ICDR Regulations. The trading approval shall be granted subject to the submission of all other relevant documents authorizing the issuing of Rights Equity Shares. There could be a failure or delay in listing the Rights Equity Shares on the Stock Exchange. Any failure or delay in obtaining the approval would restrict investors' ability to sell their Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The Stock Exchange has, in the past, experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on the Stock Exchange could adversely affect the trading price of the Equity Shares.

**11. *The Issue Price of our Rights Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.***

The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. There can be no assurance that the Investor will be able to sell their shares at or above the Issue Price. Among the factors that could affect our share price are:

- volatility in the Indian and global securities market;
- our operations and performance;
- performance of our competitors;
- adverse media reports on us or the Indian steel industry;
- changes in revenue or earnings estimates or publication of research reports by analysts; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

**12. *The Competition Act, by regulating our Company's business and activities, may materially and adversely affect our Company's results of operations and financial condition.***

Our Company cannot assure prospective investors that enforcement under the Competition Act will not have a material adverse effect on its results of operations and financial condition.

**13. *A third party could be prevented from acquiring control of our Company because of the Takeover Regulations under Indian law.***

There are provisions in Indian law that may discourage a third party from attempting to take control of our Company, even if it would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to our Company's Shareholders. Indian Takeover Regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control so as to ensure that the interests of shareholders are protected. Any person acquiring either "control" or an interest (either on its own or together with parties acting in concert with it) in 25% or more of our Company's voting Equity Shares must make an open offer to acquire at least another 26% of our Company's outstanding voting Equity Shares. A takeover offer to acquire at least another 26% of our Company's outstanding voting Equity Shares also must be made if a person (either on its own or together with parties acting in concert with it) holding between 25% and 75% of our Company's voting Equity Shares has entered into an agreement to acquire or decided to acquire additional voting Equity Shares in any financial year that exceed 5% of our Company's voting Equity Shares. These applicable provisions and the promoters holding 74.97% of the equity shares, may discourage or prevent certain types of transactions involving an actual or threatened change in control or substantial acquisition of the company's shares.

**14. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.***

Under current Indian tax laws and regulations, capital gains arising from the sale of Equity Shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 (twelve) months will not be subject to capital gains tax in India if Securities Transaction Tax (“STT”) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of equity shares held for more than 12 (twelve) months by an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 (twelve) months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. These provisions are subject to change and would depend on the taxation laws at the time.

Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

**15. *Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoter and Promoter Group or other major shareholders may adversely affect the trading price of the Equity Shares.***

Any future issuances by our Company may lead to the dilution of investors’ shareholdings in our Company. Any future equity issuances by our Company or sales of the Equity Shares by our Promoter and Promoter Group or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

**16. *Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. These exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

**17. *Our Company and investors resident outside India are subject to foreign investment restrictions under Indian law which may adversely affect our Company’s operations and their ability to freely sell the Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of equity shares from non-residents to residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of equity shares is not in compliance with such pricing guidelines or reporting requirements or fall under any of the specified exceptions, then the prior approval of the RBI will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of equity shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or a tax clearance certificate from the income tax authority. Our Company cannot assure investors that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all. Our Company may also be subject to restrictions relating to investment under the foreign direct investment policy of the Governments. However, pursuant to the Consolidated FDI Policy Circular of 2016 with effect from 7<sup>th</sup> June, 2016, foreign investment limit is allowed up to 100 per cent under automatic route in our Company, subject to appropriate approvals of the shareholders in general meeting. Currently, the foreign institutional investment (including investment by SEBI approved sub-accounts of FIIs) in our Company is 0.08 per cent of the paid up equity share capital of our Company and investment by NRIs is 0.15 per cent of the paid up equity capital of our Company (This

data is as per Shareholding pattern for the quarter ended 31<sup>st</sup> December, 2016).

**18. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.**

The Companies Act, the New Companies Act and related regulations, the Articles of Association and our Equity Listing Agreements govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

**PROMINENT NOTES**

- a) Our Company was incorporated as 'Vardhman Special Steels Limited' under the provisions of the Companies Act, 1956 vide Certificate of Incorporation dated May 14, 2010 issued by the Registrar of Companies, Punjab, Chandigarh. The Corporate Identification Number (CIN) of Company is L27100PB2010PLC033930.
- b) Our Company is offering Issue of 1,35,70,000 equity shares of face value of ₹ 10 each ("Equity Shares") for cash at a price of ₹ 50 per Rights Equity Share ("Issue Price") including a premium of ₹ 40 per Rights Equity Share aggregating up to ₹ 6,785 lakhs by the Company. The issue comprises of issue of 1,23,70,000 rights equity shares to the Eligible Equity shareholders of our Company on rights basis in the ratio of 2 rights equity shares for every 3 equity shares held on [●] (the record date) aggregating up to ₹ 6,185 lakhs and a reservation of upto 12,00,000 rights equity shares for the Eligible Employees of the company aggregating up to ₹ 600 lakhs. The issue to the existing Equity shareholders and Eligible Employees collectively referred to as the "Issue"). The issue price is Five times the face value of the equity shares.
- c) Our net worth as on March 31, 2016, as per our financial information included in this Draft Letter of Offer is ₹ 17,494.31 lakhs. See "**Financial Statements**" on page 165.
- d) The net asset value per share as on March 31, 2016, as per our financial information included in this Draft Letter of Offer is ₹ 94.28 See "**Financial Statements**" on page 165.
- e) Our Company has no subsidiaries.
- f) Except as stated in the "Related Party Disclosure" contained in the section titled "Financial Information" beginning on page 202 of this Draft Letter of Offer and to the extent of shareholding in our Company, no Group Company has any business or other interest in our Company.
- g) There has been no financing arrangement whereby the Promoter and Promoter Group, the directors of the Promoter and Promoter Group entities, our Directors and their relatives have financed the purchase by any other person of our securities during the period of six months immediately preceding the date of filing of this Draft Letter of Offer with SEBI.
- h) All information shall be made available by the Lead Manager and our Company to the public and investors at large and no selective or additional information would be available only to a section of investors in any manner whatsoever.
- i) The Lead Manager and our Company shall update this Letter of Offer and keep our shareholders / public informed of any material changes till listing and trading permission in respect of the Equity Shares is received.
- j) There has been no change of name of our Company at any time during the last three years immediately preceding the date of filing of Draft Letter of Offer.
- k) No part of the Issue proceeds will be paid as consideration to Promoters, Directors, Key Managerial Personnel or persons forming part of Promoter Group.

Investors may contact the Lead Manager for any complaint, clarifications and information pertaining to the Issue. Any clarification or information relating to this Issue shall be made available by the Lead Manager to the investors at large and no selective or additional information would be made available only to a section of the investors in any manner. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, application number, number of Equity Shares applied for, application amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the Application Form has been submitted by the ASBA Investor. For contact details please see "General Information" on page 42.

## SECTION III- INTRODUCTION

### SUMMARY OF INDUSTRY

*The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Letter of Offer is reliable, it has not been independently verified.*

*Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.*

### INDUSTRY OVERVIEW

Steel Industry in India contributes around 2% of its total GDP and employs over 6,00,000 people. While China continues to remain as the world's top producer of steel, accounting for 50% of world steel production (803 million tons), followed by Japan (105 million tons), the Indian steel industry remained the world's third-largest steel producer (89 million tons) followed by USA (78.92 million tons) and Russia (71.11 million tons) in year 2015-16.

Production in India has increased at a CAGR of 8.4 per cent during FY10-FY15. India has set ambitious targets to go up from the present installed capacity of about 101 MTPA to as high as 300 MTPA by 2025. The per capita consumption of steel in India continued to remain low as compared to other countries, indicating further potential growth of the domestic steel industry. The average per capita use of steel in India in 2014 was about 59.4 kg compared to the world average of 216.6 kg, so the domestic steel industry's long-term prospects remain intact. With ongoing developments, India is expected to close in with world steel per capita consumption average in next 10 years.

In the medium term as well, the leading steel producers in India have lined up plans to increase their steel capacity in line with the expected increase in the domestic consumption of steel. However researcher believes, with the current pace of expansion, the Indian steel industry over the next 1-2 years is only likely to add another 15 million tonnes of capacity, taking the domestic steel capacity at around 115 million tonnes by FY18.

### Growth in Market Value of the Indian Steel Sector

- In 2014, the Indian steel sector's total market value was USD 81 billion.
- The sector has benefitted from the hike in prices and production, especially since the beginning of the millennium.
- Over 2007-16(E), the sector's market value is estimated to have posted a strong CAGR of 13.7 per cent.

### Notable Trends in the Indian Steel Industry

#### *Growing Investments*

- To enhance capacity by 488.66 million tonnes, 301 MOUs have been signed with states.
- Potential steel addition capacity would attract an investment of USD83 to USD166 billion.
- India became the third largest crude steel producer globally in 2015-16.
- Most of the companies in the industry are undertaking modernization and expansion of plants to be more cost efficient. e.g. SAIL has undertaken modernization and expansion for its six plants.

- The production capacity of SAIL is expected to increase from 13 MTPA to 50 MTPA in 2025 with the total investment of USD 24.88 Billion.
- An Inter-Ministerial Group (IMG) functioning under the Ministry of Steel, is monitoring and coordinating major steel investments across the country.

#### ***Increased emphasis on technological innovation***

- Indian steel companies have now started benchmarking their facilities and processes against global standards to enhance productivity.
- These steps are expected to help Indian companies improve raw material and energy consumption, as well as improve compliance with environmental and pollution yardsticks.
- Companies are attempting coal gasification and gas-based Direct-Reduced Iron (DRI) production.
- Other alternative technologies such as Hismelt, Finex and ITmk3 are being adopted to produce hot metal.
- Ministry of Steel has issued necessary direction to the steel companies to frame a strategy for taking up more R&D projects by spending at least 1 per cent of their sales turnover on R&D to facilitate technological innovations in the steel sector.
- Ministry has established a task force to identify the need for technology development and R&D.
- Ministry has adopted energy efficiency improvement projects for mills operating with obsolete technologies.

#### ***Policy Support Aiding Growth in the Steel Sector***

- In view of the sector's changed dynamics, globally as well as domestically, the Ministry of Steel has initiated the process of drafting a new National Steel Policy to replace the existing National Steel Policy of 2005.
- According to the final draft of National Steel Policy 2015, government would permit 100 per cent Foreign Direct Investment (FDI) through the automatic route for the steel sector.
- New National Steel Policy has been formulated by the Ministry of Steel in 2016, which will retain the objectives included in National Steel Policy (NSP) 2005. It aims at covering broader aspects of steel sector across the country including environment and facilitation of new steel projects, growth of steel demand in India and raw materials.
- A new scheme, 'The scheme for the promotion of R&D in the iron and steel sector', has been approved with budgetary provision of USD 24.6 million to initiate and implement the provisions of the scheme as per the 11th Five-Year Plan which has continued in the 12th Five Year Plan.
- Under R&D scheme in assistance with SDF, 91 R&D projects have been approved upto April 2016, with total fund of USD 145.23 million, wherein SDF contributed for USD 81.91 million.
- The development of technology for Cold-Rolled Grain Oriented (CRGO) steel sheets and other value-added products is also included under the policy purview and is allocated USD 6.7 million.
- Export duty on iron ore has been increased to 30 per cent ad valorem on all varieties of iron ore (except pellets), to preserve iron ore resources for domestic use.
- As per the government's decision, the Government of India's 51 per cent shareholding in Eastern Investments Company Limited (EIL), under Bird Group of Companies, was transferred to Rashtriya Ispat Nigam Limited (RINL).
- New techno-economic benchmarks have been evolved on international patterns to improve performance of steel PSUs; implementation is being monitored closely.

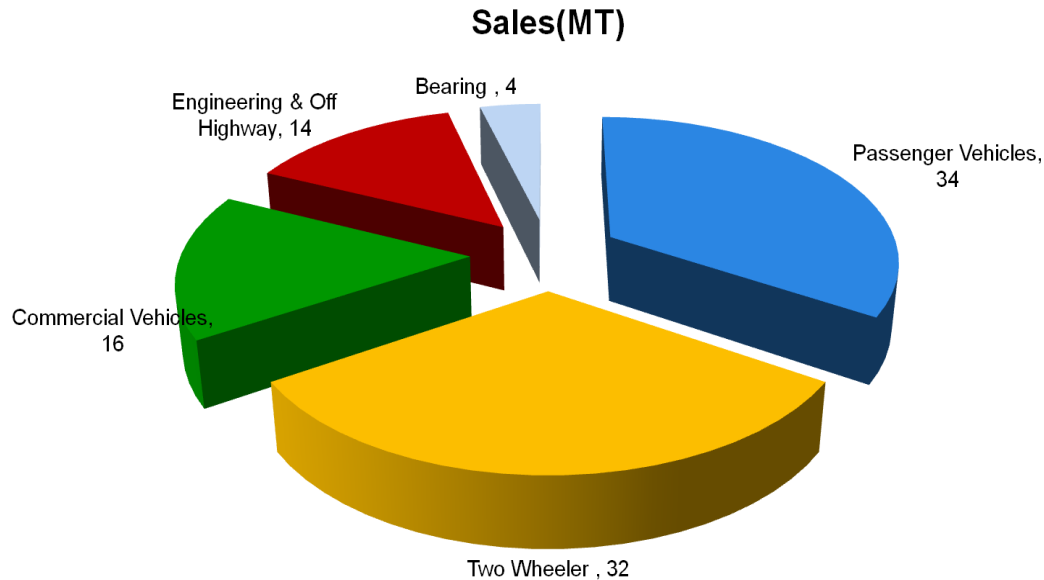
- The Steel Ministry is preparing a feasibility report to merge all the small PSUs. Feasibility study is under preparation for the merger of MSTC (1) and Ferro Scrap Nigam Limited, Bhilai (FSNL).
- Under the Ministry, the Joint Plant Committee (JPC) studied 300 districts, 1,500 villages, 4,500 manufacturers and 8,000 retailers spread over India's 28 states and 7 union territories to assess steel demand in the rural areas and examine the potential to increase steel consumption levels.
- To lead the research in the steel sector, Ministry will be setting up Steel Research and Technology Mission of India (SRTMI) with an initial corpus of USD 33 million.
- Government has initiated Project Monitoring Group(PMG) constituted under the Cabinet Secretariat in order to fast track various clearance issues that results in the delay in investments in the steel industry.

For further details on the industry in which we operate the business, please see "Industry Overview" on page 85 of this Draft Letter of Offer.

## SUMMARY OF BUSINESS OVERVIEW

The Company is engaged in the manufacturing of Billet, Steel bars and rods and bright bars of various categories of Special and Alloy Steels. The high-grade hot rolled bars manufactured by the Company are being used for varied applications in Engineering, Automotive, Tractor, Bearing and Allied Industries. Our Company also caters to various automobile forging companies with end users ranging from passenger cars to tractors, two wheelers, commercial vehicles and off high way vehicles. The Company also supplies steel for bearing applications and also is successfully delivering steel for forging applications in International markets of Thailand, Taiwan, Turkey, Russia and Spain. About 4% of the total production of the Company is exported.

**Industry wise percentage sale of our Company is as follows:-**



Vardhman Special Steels Limited (Our Company) was incorporated on May 14, 2010, as a Public Limited Company under the provisions of the Companies Act, 1956 and subsequently received its certificate of commencement of business on June 15, 2010. In the year 2011 pursuant to Scheme of Arrangement & Demerger between Vardhman Textiles Limited and our Company as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh under Section 391-394 of Companies Act, 1956 dated January 12, 2011, the Steel business undertaking of Vardhman Textiles Limited got vested in our Company w.e.f. January 01, 2011.

Our existing factory is located at Plot No. C-58 ad measuring approximately 19.74 acres, Focal Point, Ludhiana – 141010, which consists of Melting Shop, Rolling Mill and Bright Bar Shop. We also own a warehouse situated at Plot No. C-400, Pioneer Industrial Park, Pathredi, Bilaspur, Gurgaon, Haryana. We have also leased warehouses across India. We also have one warehouse situated at Bangkok, Thailand. It is a Bonded warehouse being managed by Third Party Logistics Providers.

Our Company has state of the art Electric Arc steel making facility along with latest processing and steel rolling facility supported by all modern hardware and software to produce steel for automotive forging applications. We have in-house Research and Development lab and all testing facilities to cater to demand of technically superior special steel for end users like Toyota, Suzuki, Nissan, Ford, Hero Moto Corp, Yamaha, Bosch and Caterpillar US.

Our Company is equipped to produce steel grades from basic carbon steel to high alloy steel to bearing steels to Micro Alloy steels to customize steel chemistry as required by OEM and Tier 1 companies for their applications. Our approval range is extended to likes of Passenger cars, Two wheelers, Commercial vehicles, Tractors and Engineering Industry to name a few.

Prominent End Users of Vardhman Special Steels Limited are:-

| Cars           | Two- Wheelers | HCV / LCV     | Auto Components   | Tractors    | Automotive / Off Highway |
|----------------|---------------|---------------|-------------------|-------------|--------------------------|
| Toyota         | Yamaha        | TATA          | Oerlikon Graziano | John Deere  | Bosch                    |
| Hyundai        | HeroMoto Corp | Daimler       | Meritor           | TAFE        | Caterpillar              |
| Maruti Suzuki  | TVS           | Ashok Leyland | Magna             | Mahindra    | Dana                     |
| Renault Nissan | Bajaj Auto    | Swaraj Mazda  | GKN               | Sonalika    | JCB                      |
| GM             | Honda         | Volvo         | American Axle     | New Holland | Sauer Danfoss            |

**Strengths:**

1. One of the largest among others for having Automotive OEM's approvals in its fold.
2. Single Process Route provides advantage to OEM's as no chance of Mix Up from other route installed within same premises like Induction furnace etc.
3. Large number of rolled sizes available to customers to choose from.
4. Fast rolling cycle.
5. Makes steel as per various International standards like JIS, SAE, DIN, IS etc.
6. Own warehouses and sales and Marketing team - no dependency on trading houses and traders.
7. Just in Time Delivery to customers - from warehouses and stocks available at various strategic locations across the country.
8. Dedicated Research and Development department for new business development and approvals.
9. Heat size of 30 MT.
10. Strong team of experienced Metallurgists for after sales service to customers.
11. Support of strong brand "Vardhman".

**Weakness:**

1. Located in North part of India - freight is expensive.
2. Manufacturing Process is Electric Arc Furnace - which is costlier than Blast Furnace route which is Primary steel making route.
3. Reduction Ratio for bigger rolled sizes like 120mm and 125 mm is less because of maximum billet size available is 240X260 only.
4. Facility to produce ultra clean steel with oxygen ppm less than 8 ppm is not available for all steel grades.
5. Lack of approvals to supply steel in Public sectors like - Railways and Defence.
6. No Technical JV or technical alliance.

**Opportunities:**

1. To supply steel for application of passenger car manufacturers like Suzuki and Toyota by replacing / substituting their import requirement of steel bars by our Company.
2. To supply steel for Railways spring applications after RDSO approval.
3. To export steel bars to countries like Iran, Germany and Italy.
4. To develop hexagonal sizes in house for various industrial applications.
5. To develop Quench and tempered steel bars for various Tractor component applications in countries like Turkey.
6. To take approval of Japanese companies like NSK, NTN, Isuzu, Mazda, Toyota and Mitsubishi in coming

years.

7. To develop bearing steel market for companies like SKF and Schaeffler.
8. Increasing production in India of 2 wheelers and passenger cars increases demand of steel. Our Company has maximum approvals in both the segments.
9. To have technical JV or technical alliance with Japanese or a European steel manufacturer.
10. Defence sector and exports.

### **Threats**

1. Increasing raw material cost and freight, making impact on profitability and making business unviable in some territories like South and Western India.
2. Market segments like Commercial vehicles and Tractors shifting towards Blast Furnace Route steel because of less cost.
3. Steel Mills from Korea and China competing at low prices in South Asia especially in markets of Thailand and Indonesia.

For complete details of the business section, please refer section on 'Business Overview' beginning on page 88.

## SUMMARY FINANCIAL STATEMENTS

The following tables set forth the summary financial information derived from our restated financial statements as on and for Fiscal 2016, Fiscal 2015, Fiscal 2014, Fiscal 2013 and Fiscal 2012, prepared in accordance with Companies Act, the Indian GAAP, applicable standards and guidance notes specified by the Institute of Chartered Accountants of India, applicable accounting standards and other applicable statutory and / or regulatory requirements. Unless stated otherwise, the summary of financial information presented below, is in ₹ Lakhs and should be read in conjunction with the financial information and the notes thereto included in the section titled “Financial Information” on page 165 of this Draft Letter of Offer.

### RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in Lakhs)

|           | PARTICULARS                         | As at 31st<br>March<br>2016 | As at 31st<br>March<br>2015 | As at 31st<br>March<br>2014 | As at 31st<br>March<br>2013 | As at 31st<br>March<br>2012 |
|-----------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>I</b>  | <b>EQUITY AND LIABILITIES</b>       |                             |                             |                             |                             |                             |
| 1         | <b>Shareholders' Funds</b>          |                             |                             |                             |                             |                             |
|           | ( a ) Share capital                 | 1,855.54                    | 1,855.54                    | 1,855.54                    | 1,855.54                    | 1,855.54                    |
|           | ( b ) Reserves and Surplus          | 15,638.77                   | 15,148.52                   | 16,716.31                   | 17,911.05                   | 17,582.27                   |
|           | <b>Sub Total 1</b>                  | <b>17,494.31</b>            | <b>17,004.06</b>            | <b>18,571.85</b>            | <b>19,766.59</b>            | <b>19,437.81</b>            |
| 2         | <b>Non - Current Liabilities</b>    |                             |                             |                             |                             |                             |
|           | ( a ) Long - term borrowings        | 12,955.43                   | 10,440.31                   | 9,982.67                    | 9,044.72                    | 8,476.61                    |
|           | (b) Deferred Tax Liabilities        | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>375.97</b>               | <b>416.76</b>               |
|           | ( c ) Other Long term liabilities   | 13.89                       | 19.00                       | 11.87                       | 16.39                       | 22.64                       |
|           | ( d ) Long - term provisions        | 62.88                       | 54.43                       | 50.95                       | 47.59                       | 44.42                       |
|           | <b>Sub Total 2</b>                  | <b>13,032.20</b>            | <b>10,513.74</b>            | <b>10,045.49</b>            | <b>9,484.67</b>             | <b>8,960.43</b>             |
| 3         | <b>Current liabilities</b>          |                             |                             |                             |                             |                             |
|           | ( a ) Short - term borrowings       | 16,682.35                   | 23,911.98                   | 19,495.48                   | 21,440.21                   | 15,572.78                   |
|           | ( b ) Trade payables                | 4,099.68                    | 5,157.10                    | 4,202.49                    | 3,299.26                    | 1,088.62                    |
|           | ( c ) Other current liabilities     | 9,691.59                    | 4,843.70                    | 4,065.93                    | 4,252.71                    | 1,921.97                    |
|           | ( d ) Short - term provisions       | 62.14                       | 62.22                       | 21.95                       | 78.65                       | 148.82                      |
|           | <b>Sub Total 3</b>                  | <b>30,535.76</b>            | <b>33,975.00</b>            | <b>27,785.85</b>            | <b>29,070.83</b>            | <b>18,732.19</b>            |
|           | <b>TOTAL</b>                        | <b>61,062.27</b>            | <b>61,492.80</b>            | <b>56,403.19</b>            | <b>58,322.09</b>            | <b>47,130.43</b>            |
| <b>II</b> | <b>ASSETS</b>                       |                             |                             |                             |                             |                             |
| 1         | <b>Non - current assets:</b>        |                             |                             |                             |                             |                             |
|           | <b>( a )Fixed Assets</b>            |                             |                             |                             |                             |                             |
|           | (i) Tangible Assets                 | 25,024.81                   | 22,997.73                   | 21,037.93                   | 4,123.98                    | 4,306.12                    |
|           | (ii) Intangible Assets              | 35.20                       | -                           | -                           | -                           | -                           |
|           | (iii) Capital work-in-progress      | 210.84                      | 2,079.82                    | 2,954.81                    | 13,134.61                   | 858.09                      |
|           | ( b ) Non- Current Investments      | 129.69                      | 408.22                      | 1,675.27                    | 2,851.66                    | 8,125.00                    |
|           | ( c ) Long term loans and advances  | 1,345.20                    | 987.40                      | 743.09                      | 1,996.22                    | 1,308.88                    |
|           | (d) Non-current trade receivable    | 0.00                        | 0.00                        | 0.00                        | 113.84                      | 40.33                       |
|           | <b>Sub Total 1</b>                  | <b>26,745.74</b>            | <b>26,473.17</b>            | <b>26,411.10</b>            | <b>22,220.31</b>            | <b>14,638.42</b>            |
| 2         | <b>Current assets</b>               |                             |                             |                             |                             |                             |
|           | ( a ) Current Investments           | 1,000.00                    | 1,000.00                    | 1,500.00                    | 9,300.00                    | 1,800.00                    |
|           | ( b ) Inventories                   | 10,690.38                   | 13,288.98                   | 11,931.22                   | 11,370.31                   | 9,582.89                    |
|           | ( c ) Trade Receivables             | 19,416.94                   | 17,898.22                   | 12,276.35                   | 10,226.02                   | 10,548.59                   |
|           | ( d ) Cash and Bank balances        | 379.06                      | 864.85                      | 1,389.84                    | 3,027.50                    | 8,711.27                    |
|           | ( e ) Short-term loans and advances | 2,828.85                    | 1,935.16                    | 2,846.74                    | 1,827.23                    | 1,596.76                    |
|           | (f) Other Current Assets            | 1.30                        | 32.42                       | 47.94                       | 350.72                      | 252.50                      |
|           | <b>Sub Total 2</b>                  | <b>34,316.53</b>            | <b>35,019.63</b>            | <b>29,992.09</b>            | <b>36,101.78</b>            | <b>32,492.01</b>            |
|           | <b>TOTAL</b>                        | <b>61,062.27</b>            | <b>61,492.80</b>            | <b>56,403.19</b>            | <b>58,322.09</b>            | <b>47,130.43</b>            |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities, profits and losses and cash flows as detailed in the section ‘Financial Information’ appearing in Annexure IV on page 172.

**RESTATED STATEMENT OF PROFIT AND LOSS**
**(₹ in Lakhs)**

|      | <b>PARTICULARS</b>   | <b>As at 31st<br/>March<br/>2016</b> | <b>As at 31st<br/>March<br/>2015</b> | <b>As at 31st<br/>March<br/>2014</b> | <b>As at 31st<br/>March<br/>2013</b> | <b>As at 31st<br/>March<br/>2012</b> |
|------|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| I    | Revenue from operations (Gross)  | 72,932.88                            | 73,418.13                            | 40,865.50                            | 49,475.10                            | 58,119.14                            |
|      | Less: Excise duty  | 7,277.29                             | 7,258.15                             | 3,805.92                             | 4,951.23                             | 5,429.11                             |
|      | Revenue from operations ( Net )  | 65,655.59                            | 66,159.98                            | 37,059.58                            | 44,523.87                            | 52,690.03                            |
|      | Cost of Material Transferred to Trial Run ( Rolling Mill)                        | 0.00                                 | 0.00                                 | 19,336.52                            | 0.00                                 | 0.00                                 |
|      | Other Income   | 209.18                               | 789.31                               | 1,540.96                             | 512.59                               | 504.29                               |
|      | <b>Total revenue ( I+II)</b>   | <b>65,864.77</b>                     | <b>66,949.29</b>                     | <b>57,937.06</b>                     | <b>45,036.46</b>                     | <b>53,194.32</b>                     |
| II   | <b>Expenses</b>  |                                      |                                      |                                      |                                      |                                      |
|      | Cost of Materials consumed   | 32,508.39                            | 40,885.04                            | 30,634.66                            | 28,044.58                            | 30,573.03                            |
|      | Purchases of Stock- in-Trade   | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
|      | Changes in Inventories of Finished Goods and Work-in- progress                   | 2,711.20                             | (156.93)                             | 7,018.76                             | (2,548.18)                           | (171.35)                             |
|      | Employee benefits expense  | 3,383.58                             | 2,833.45                             | 2,126.40                             | 2,115.06                             | 2,249.40                             |
|      | Other Expense  | 22,435.51                            | 20,929.83                            | 17,505.58                            | 14,773.77                            | 14,799.02                            |
|      | Excise Duty on Closing Stock   | 279.76                               | 526.36                               | 461.13                               | 487.07                               | 246.41                               |
|      | Finance Costs  | 2,352.97                             | 2,021.49                             | 1,189.72                             | 1,086.72                             | 659.80                               |
|      | Depreciation and amortisation expense  | 1,703.11                             | 1,387.22                             | 570.45                               | 398.28                               | 405.91                               |
|      | <b>Total Expenses</b>  | <b>65,374.52</b>                     | <b>68,426.46</b>                     | <b>59,506.70</b>                     | <b>44,357.30</b>                     | <b>48,762.22</b>                     |
| III  | <b>Profit/(Loss) before exceptional and extraordinary Items and tax ( I- II)</b> | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| IV   | Exceptional items  | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
| V    | <b>Profit/(Loss) before extraordinary Items and tax ( III-IV)</b>                | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| VI   | Extraordinary Items  | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
| VII  | <b>Profit/(Loss) before tax ( V-VI)</b>  | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| VIII | Tax expenses   |                                      |                                      |                                      |                                      |                                      |
|      | Current tax  | 0.00                                 | 0.00                                 | 0.00                                 | 390.00                               | 1,564.39                             |
|      | Wealth Tax   | 0.00                                 | 0.85                                 | 1.07                                 | 1.17                                 | 1.43                                 |
|      | Deferred tax   | 0.00                                 | 0.00                                 | (375.97)                             | (40.79)                              | (23.64)                              |
| IX   | <b>Profit for the year (VII-VIII)</b>  | <b>490.25</b>                        | <b>(1,478.02)</b>                    | <b>(1,194.74)</b>                    | <b>328.78</b>                        | <b>2,889.92</b>                      |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities, profits and losses and cash flows as detailed in the section 'Financial Information' appearing in Annexure IV on page 172.

**RESTATED STATEMENT OF CASH FLOW**
**(₹ in Lakhs)**

| <b>PARTICULARS</b>   | <b>As at 31st<br/>March 2016</b> | <b>As at 31st<br/>March 2015</b> | <b>As at 31st<br/>March 2014</b> | <b>As at 31st<br/>March 2013</b> | <b>As at 31st<br/>March 2012</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Net profit before tax and Extra Ordinary Items                                     | 490.25                           | (1,477.17)                       | (1,569.64)                       | 679.16                           | 4,432.10                         |
| <b>Adjustments for:</b>  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Depreciation and Amortisation  | 1,703.11                         | 1,387.21                         | 570.45                           | 398.28                           | 405.91                           |
| Provision for Doubtful Debts written back  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Sundry Balances Written (back) / off   | (35.64)                          | (21.72)                          | (2.27)                           | (33.71)                          | (21.81)                          |
| Interest Expense   | 2,352.97                         | 2,021.49                         | 1,340.88                         | 1,663.80                         | 900.83                           |
| Profit on sale of Investments  | (36.23)                          | (523.01)                         | (1,038.52)                       | (201.83)                         | 0.00                             |
| Exchange Rate Fluctuation (unrealised)   | 583.13                           | 431.50                           | 937.96                           | 568.11                           | (369.85)                         |
| Interest income  | (91.39)                          | (157.42)                         | (216.26)                         | (611.63)                         | (241.75)                         |
| Dividend Income  | (6.28)                           | (2.34)                           | (22.57)                          | (8.33)                           | (3.62)                           |
| (Profit)/Loss on Sale of Fixed Assets (Net)  | 111.80                           | (8.50)                           | (324.44)                         | (75.97)                          | (27.63)                          |
| Operating Profit before working capital changes                                    | 5,071.72                         | 1,650.04                         | (324.41)                         | 2,377.88                         | 5,074.18                         |
| <b>Adjustments for:</b>  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Decrease/(Increase) in Inventories   | 2,598.59                         | (1,357.76)                       | (560.91)                         | (1,787.42)                       | 215.37                           |
| Increase / (Decrease) in liabilities and provisions                                | (79.66)                          | 1,340.25                         | 412.32                           | 5,589.00                         | 2,027.47                         |
| Decrease / (Increase) in other Current assets/Loans & Advances                     | (1,061.94)                       | 664.75                           | (1,155.89)                       | (449.46)                         | (2,580.00)                       |
| Decrease/ (Increase) in Trade Receivables  | (1,518.72)                       | (5,621.87)                       | (1,934.22)                       | 259.51                           | (1,606.38)                       |
| Cash generated from operations   | (61.73)                          | (4,974.63)                       | (3,238.70)                       | 3,611.63                         | (1,943.54)                       |
| <b>Cash generated from operations</b>  | <b>5,009.99</b>                  | <b>(3,324.59)</b>                | <b>(3,563.11)</b>                | <b>5,989.51</b>                  | <b>3,130.64</b>                  |
| Income tax paid  | 0.00                             | (0.85)                           | (26.41)                          | (488.19)                         | (1,420.00)                       |
| <b>Net cash generated from/(used in) operating activities</b>                      | <b>5,009.99</b>                  | <b>(3,325.44)</b>                | <b>(3,589.52)</b>                | <b>5,501.32</b>                  | <b>1,710.64</b>                  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Purchase of fixed assets and capital work in progress (including capital advances) | (2,471.49)                       | (2,833.60)                       | (5,747.57)                       | (13,969.49)                      | (3,316.91)                       |
| Proceeds from sale of Fixed Assets   | 45.81                            | 22.67                            | 417.58                           | 80.90                            | 64.97                            |
| Proceeds from sale of Investments  | 314.76                           | 2,290.06                         | 10,338.51                        | 6,701.83                         | 0.00                             |
| Purchase for Investments   | 0.00                             | 0.00                             | (323.61)                         | (8,726.66)                       | (7,925.00)                       |
| Interest Received  | 91.47                            | 203.98                           | 529.99                           | 516.36                           | 26.05                            |
| Dividend Received  | 6.28                             | 2.34                             | 22.57                            | 8.33                             | 3.62                             |
| <b>NET CASH FROM INVESTING ACTIVITIES (B)</b>                                      | <b>(2,013.17)</b>                | <b>(314.55)</b>                  | <b>5,237.47</b>                  | <b>(15,388.73)</b>               | <b>(11,147.27)</b>               |
|  |                                  |                                  |                                  |                                  |                                  |
|  |                                  |                                  |                                  |                                  |                                  |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Inter-corporate deposits taken   | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 3,371.66                         |

|  |                   |                 |                   |                   |                  |
|--|-------------------|-----------------|-------------------|-------------------|------------------|
| Proceeds from Short Term Borrowings                              | (7,229.64)        | 4,416.49        | (1,944.72)        | 5,867.43          | 6,302.07         |
| Proceeds from Term loan  | 6,100.00          | 720.00          | 0.00              | 0.00              | 8,846.46         |
| Interest paid  | (2,352.97)        | (2,021.49)      | (1,340.89)        | (1,663.79)        | (900.83)         |
| <b>NET CASH FROM FINANCING ACTIVITIES 'C'</b>                    | <b>(3,482.61)</b> | <b>3,115.00</b> | <b>(3,285.61)</b> | <b>4,203.64</b>   | <b>17,619.36</b> |
| <b>Net increase in cash and cash equivalents (A+B+C)</b>         | <b>(485.79)</b>   | <b>(524.99)</b> | <b>(1,637.66)</b> | <b>(5,683.77)</b> | <b>8,182.73</b>  |
| Cash and cash equivalents at the beginning of the period         | 864.85            | 1,389.84        | 3,027.50          | 8,711.27          | 528.54           |
| <b>Cash and cash equivalents at the end of the period</b>        | <b>379.06</b>     | <b>864.85</b>   | <b>1,389.84</b>   | <b>3,027.50</b>   | <b>8,711.27</b>  |
| <b>Components of cash and cash equivalents:</b>                  |                   |                 |                   |                   |                  |
| Cash in hand & Others  | 6.37              | 2.21            | 4.29              | 10.01             | 17.25            |
| Cheques in hand  | 0.00              | 0.00            | 0.00              | 82.83             | 277.16           |
| Balances with scheduled banks:                                   |                   |                 |                   |                   |                  |
| - in current accounts  | 370.17            | 857.12          | 1,004.91          | 423.10            | 392.36           |
| - on fixed deposit accounts (under lien with banks)              | 0.00              | 0.00            | 0.00              | 850.00            | 0.00             |
| - in fixed deposit accounts                                      | 2.52              | 5.52            | 375.54            | 1,656.46          | 3.20             |
| <b>Other bank balances</b>                                       |                   |                 |                   |                   |                  |
| Fixed Deposits with maturity of more than 12 months (under lien) | 0.00              | 0.00            | 0.00              | 0.00              | 7,910.00         |
| Fixed Deposits with maturity of more than 12 months              | 0.00              | 0.00            | 5.10              | 5.10              | 2.10             |
| Balance in banks for margin money                                | 0.00              | 0.00            | 0.00              | 0.00              | 109.20           |
| <b>Total</b>   | <b>379.06</b>     | <b>864.85</b>   | <b>1,389.84</b>   | <b>3,027.50</b>   | <b>8,711.27</b>  |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities, profits and losses and cash flows as detailed in the section 'Financial Information' appearing in Annexure IV on page 172.

**Balance sheet as per Limited Review as at September 30, 2016:**

| Particulars                         | As at September 30, 2016<br>(₹ In Lakhs) |
|-------------------------------------|--|
| <b>EQUITY AND LIABILITIES</b>       |  |
| <b>Shareholders' funds</b>          |  |
| (a) Equity Share capital            | 1,855.03                                 |
| (b) Other Equity                    | 17,133.89                                |
| <b>Non-current liabilities</b>      |  |
| (a) Financial Liabilities           |  |
| (i) Borrowings                      | 14,944.60                                |
| (b) Provisions                      | 63.81                                    |
| (c) Other non-current liabilities   | 10.55                                    |
| <b>Current liabilities</b>          |  |
| (a) Financial Liabilities           |  |
| (i) Borrowings                      | 14,398.42                                |
| (ii) Trade payables                 | 4,808.40                                 |
| (iii) Other financial liabilities   | 8,773.26                                 |
| (b) Other current liabilities       | 659.00                                   |
| (c) Provisions                      | 67.99                                    |
| <b>Total equity and liabilities</b> | <b>62,714.95</b>                         |

| <b>ASSETS</b>                             |                  |
|---|------------------|
| <b>Non-current assets</b>                 |                  |
| (a) Property, Plant and Equipment         | 24,170.63        |
| (b) Capital work-in-progress              | 1,178.97         |
| (c) Other Intangible assets               | 30.00            |
| (d) Other non-current assets              | 1,838.70         |
| <b>Current assets</b>                     |                  |
| (a) Inventories                           | 11,182.26        |
| (b) Financial Assets                      |                  |
| (i) Investments                           | 2,002.40         |
| (ii) Trade receivables                    | 18,164.30        |
| (iii) Cash and cash equivalents           | 1,779.49         |
| (iv) Bank balances other than (iii) above | 0.52             |
| (v) Loans                                 | 145.84           |
| (vi) Others                               | -                |
| (c) Other current assets                  | 2,221.84         |
| <b>TOTAL ASSETS</b>                       | <b>62,714.95</b> |

**Statement of Profit and Loss as per Limited Review for the half year ended September 30, 2016:**

| <b>Particulars</b>   | <b>For the half year ended<br/>September 30, 2016<br/>(₹ In Lakhs)</b> |
|--|--|
| Income From Operations   | 36,974.64  |
| Other Operating Income   | 62.21  |
| <b>Total Revenue</b>   | <b>37,036.85</b>   |
| <b>Expenses</b>  |  |
| Cost of materials consumed   | 17,544.36  |
| Changes in inventories of finished goods, work in progress and stock-in-trade                | (763.82)   |
| Employee benefit expenses  | 1,932.15   |
| Depreciation and Amortisation Expense  | 899.00   |
| Power & Fuel   | 5,399.08   |
| Excise Duty  | 3,877.86   |
| Other expenses   | 5,859.09   |
| <b>Total expenses</b>  | <b>34,747.72</b>   |
| <b>Profit/(Loss) from Operations before Other Income, finance cost and Exceptional Items</b> | <b>2,289.13</b>  |
| Other Income   | 107.11   |
| <b>Profit/(Loss) before finance cost and Exceptional Items</b>                               | <b>2,396.24</b>  |
| Finance Cost   | 1,323.90   |
| Exceptional Items  | -  |
| <b>Profit before Tax</b>   | <b>1,072.34</b>  |
| <b>Tax expense:</b>  |  |
| (1) Tax Expense  |  |
| (2) Current tax  | -  |
| <b>Profit/(Loss) for the period from continuing operations</b>                               | <b>1,072.34</b>  |

## THE ISSUE

The Board of Directors of the Company in its meeting held on October 28, 2016, had approved the proposal of further issue of 1,23,70,000 Equity Shares of the face value of ₹10 each for cash on Rights basis in the ratio of 2 shares for every 3 shares held at a price of ₹ 50 per share (inclusive of Share premium of ₹ 40 per share) aggregating to ₹ 6,185 lakhs to all eligible existing Equity Shareholders of the Company (“Rights Issue”). The Board in the same meeting also approved Issue of Equity Shares to the Eligible Employees of the Company along with the Eligible Existing Equity Shareholders, subject to approval of Shareholders, at the same price within the limits as prescribed under relevant SEBI Regulations.

The approval of Shareholders of the Company for Employee Reservation has been obtained by way of Postal Ballot (including E-Voting) on December 22, 2016.

Further, the Committee of Directors constituted by Board of Directors for Rights Issue (hereinafter referred to as “Committee of Directors”) in its meeting held on January 23, 2017 had resolved to reserve 12,00,000 Equity Shares for Existing Employees (excluding Promoters) of the Company in addition to the Rights Equity Shares to be issued to the Existing Shareholders, at the same price as that of Rights issue i.e. ₹ 50 per share (inclusive of Share premium of ₹ 40 per share) aggregating to ₹ 600 lakhs.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the section titled “*Terms of the Issue*” on page 273 of this Draft Letter of Offer.

|   |   |
|---|---|
| <b>Rights Equity Shares offered in the Issue</b>                                      | 1,35,70,000 Equity Shares aggregating up to ₹6,785 lakhs  |
| <b>Of which<br/><i>Employee Reservation Portion</i></b>                               | 12,00,000 Equity Shares aggregating up to ₹600 lakhs  |
| <b>Rights Entitlement for Rights Equity Shares for Eligible Existing Shareholders</b> | 2 Rights Equity Shares for every 3 Equity Shares held on the Record Date i.e. [●].                          |
| <b>Record Date</b>  | [●]   |
| <b>Face Value per Rights Equity Shares</b>  | ₹ 10  |
| <b>Issue Price per Rights Equity Share</b>  | ₹ 50  |
| <b>Issue size</b>   | Not exceeding ₹ 6,785 lakhs   |
| <b>Paid-up Equity Shares outstanding prior to the Issue</b>                           | 1,85,55,376 Equity Shares   |
| <b>Equity Shares outstanding after the Issue (if fully subscribed)</b>                | 3,21,25,376 Equity Shares   |
| <b>Terms of the Issue</b>   | Please refer to the section titled “ <i>Terms of the Issue</i> ” on page 273 of this Draft Letter of Offer. |
| <b>Use of Issue Proceeds</b>  | For further information, see the section titled “ <i>Objects of the Issue</i> ” on page 71                  |
| <b>Scrip Code</b>   | <b>ISIN:</b> INE050M01012<br><b>BSE:</b> 534392<br><b>NSE:</b> VSSL   |

### Payment terms

The full amount of ₹50 per Equity Share is payable on application.

## GENERAL INFORMATION

Vardhman Special Steels Limited (Our Company) was incorporated on May 14, 2010, as a Public Limited Company under the provisions of the Companies Act, 1956 and subsequently received its certificate of commencement of business on June 15, 2010. In the year 2011 pursuant to Scheme of Arrangement & Demerger between Vardhman Textiles Limited and our Company as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh under Section 391-394 dated January 12, 2011, the Steel business undertaking of Vardhman Textiles Limited got vested in our Company w.e.f. January 01, 2011.

Pursuant to the resolutions passed by the Board of Directors in its meeting dated October 28, 2016, Shareholders of Company through Postal Ballot dated December 22, 2016 and Committee of Directors in its meeting dated January 23, 2017, it has been decided to make the following offer to the Eligible Equity Shareholders of our Company and to Eligible Employees (excluding Promoters) of the Company:

**Issue of 1,35,70,000 equity shares of face value of ₹ 10 each ("Equity Shares") for cash at a price of ₹ 50 per Rights Equity Share ("Issue Price") including a premium of ₹ 40 per Rights Equity Share aggregating up to ₹ 6,785 lakhs by the Company. The issue comprises of issue of 1,23,70,000 Rights Equity Shares to the Eligible Equity shareholders of our Company on rights basis in the ratio of 2 Rights Equity Shares for every 3 Equity Shares held on [●] (the Record Date) aggregating up to ₹ 6,185 lakhs and a reservation of upto 12,00,000 Rights Equity Shares for the Eligible Employees of the company aggregating up to ₹600 lakhs. The issue to the existing Equity shareholders and Eligible Employees collectively referred to as the "Issue". The issue price is Five times the face value of the equity shares.**

For further details please refer to the section titled "Terms of the Issue" on page 273 of this DLOF.

### Registered Office of our Company

**Vardhman Special Steels Limited**  
 Vardhman Premises, Chandigarh Road,  
 Ludhiana-141010,  
 Punjab, India  
**Works:** C-58, Focal Point, Ludhiana 141 010, India  
**Tel:** 0161-2228943-48;  
**Fax:** 0161-2601048, 2220766  
**Email:** secretarial.lud@vardhman.com  
**Website:** www.vardhmansteel.com  
**Corporate Identity Number:** L27100PB2010PLC033930  
**Company Registration No.:** 033930

### Address of the RoC

**Registrar of Companies, Punjab, Chandigarh**  
 Corporate Bhawan,  
 Plot No.4 B, Sector 27 B,  
 Madhya Marg,  
 Chandigarh - 160019

The Equity Shares of our Company are listed on the BSE and NSE.

### Board of Directors

The following table sets out the details regarding our Board as on the date of filing of this Draft Letter of Offer:

| #  | Name, Age, Address, Occupation, DIN   | Designation   |
|----|---|---|
| 1. | Mr. Prafull Anubhai<br><br>Age: 78 years<br><br>Address: Pathik 9, Shitalbaug Society, Paldi, Ahmedabad – 380 | <b>Designation:</b> Non-executive Chairman and Independent Director |

|    |  |   |
|----|--|---|
|    | <p>007, India.</p> <p><b>Occupation:</b> Business Consultant</p> <p><b>DIN:</b> 00040837</p>   |   |
| 2. | <p>Mr. Sachit Jain</p> <p><b>Age:</b> 50 years</p> <p><b>Address:</b> H. No. 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana, India.</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00746409</p>                     | <b>Designation:</b> Managing Director, Non-Independent Director |
| 3. | <p>Mrs. Suchita Jain</p> <p><b>Age:</b> 48 years</p> <p><b>Address:</b> H. No. 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana – 141 010, Punjab, India.</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00746471</p> | <b>Designation:</b> Non-Executive and Non-Independent Director  |
| 4. | <p>Mr. Rajinder Kumar Jain</p> <p><b>Age:</b> 77 years</p> <p><b>Address:</b> B-708, Rail Vihar, Sector 15-II, Gurgaon – 100 221 Haryana, India.</p> <p><b>Occupation:</b> Retired General Manager, Indian Railways.</p> <p><b>DIN:</b> 00046541</p> | <b>Designation:</b> Non-Executive and Non-Independent Director  |
| 5. | <p>Mr. B.K. Choudhary</p> <p><b>Age:</b> 65 years</p> <p><b>Address:</b> H.No.–1099, Sector-14, Faridabad – 121 007, Haryana, India</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00307110</p>                                     | <b>Designation:</b> Non-Executive and Non-Independent Director  |
| 6. | <p>Mr. Jayant Davar</p> <p><b>Age:</b> 55 years</p> <p><b>Address:</b> 50 Sultanpur Farms, Prakrti Marg, Mehrauli Gurgaon Road, Delhi – 110 030, India</p> <p><b>Occupation:</b> Industrialist</p> <p><b>DIN:</b> 00100801</p>                       | <b>Designation:</b> Independent Director                        |

|  |   |
|--|---|
| <p>7. Mr. Rajeev Gupta</p> <p><b>Age:</b> 58 years</p> <p><b>Address:</b> Krishna Kutir, Ground Floor, 28 Union Park, Khar (West) Mumbai – 400 052, India</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00241501</p>                 | <p><b>Designation:</b> Independent Director</p> |
| <p>8. Mr. Sanjeev Pahwa</p> <p><b>Age:</b> 50 years</p> <p><b>Address:</b> B 20/3, 192 Gurdev Nagar, Pakhowal Road, Ludhiana – 141 002, India</p> <p><b>Occupation:</b> Industrialist</p> <p><b>DIN:</b> 00022674</p>                                  | <p><b>Designation:</b> Independent Director</p> |
| <p>9. Mr. Sanjoy Bhattacharyya</p> <p><b>Age:</b> 56 years</p> <p><b>Address:</b> 76-B, Jayant Appartments, Appa Saheb Marathe Marg, Prabhadevi, Mumbai – 400 025, India</p> <p><b>Occupation:</b> Business Consultant</p> <p><b>DIN:</b> 00059480</p> | <p><b>Designation:</b> Independent Director</p> |

For brief profiles and further details of our Directors, see “Our Management” on page 114.

**Company Secretary and Compliance Officer**

Sonam Taneja,  
 Vardhman Premises,  
 Chandigarh Road,  
 Ludhiana – 141 010  
 India  
**Tel:** 0161-2228943-48  
**Fax:** 0161-2601048  
**Email:** secretarial.lud@vardhman.com

Investors may contact the Registrar to the Issue or the Compliance Officer in case of any pre-Issue or post-Issue related matters such as non-receipt of letter of Allotment, credit of shares, SAF, EAF or Refund Orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, ASBA Account number and the Designated Branch of the SCSBs, number of Equity Shares applied for, amount blocked, where the CAF or the plain paper application, in case of Eligible Equity Shareholder, or the EAF, in case of Eligible Employee, as the case may be, was submitted by the ASBA Investor.

**Lead Manager to the Issue:**

**Master Capital Services Limited**

SCO 22-23, Sector 9D, Madhya Marg,  
Chandigarh -160009  
India

**Contact Person:** Ankita Nayyar

**Tel:** +91-172-4848000

**Fax:** +91-172-2745865

**Email:** ankita.nayyar@mastertrust.co.in

**Website:** www.mastertrust.co.in

**Investor Grievance E-mail:** mbd@mastertrust.co.in

**SEBI Registration Number:** INM000000107

**CIN:** U67190MH1994PLC147882

**Experts**

Except for the "*Financial Information*" and the "*Statement of Possible Tax Benefits Available to the Company and its Shareholders*" as certified by the Statutory Auditors, beginning on pages 165 and 78 respectively of this Draft Letter of Offer, the Company has not obtained any expert opinions under the Companies Act.

**Banker to the Issue**

[•]

**Refund Banker to the Issue**

[•]

**Legal Advisor to the issue**

**Mr. Prabhjot Singh Sachdeva**

371-CX,

Model Town Extension

Ludhiana – 141002

**Tel:** 0161-5009615

**Email:** prabhjotsinghsachdeva@ymail.com

**Statutory Auditors of our Company**

**M/s S.S. Kothari Mehta & Co.**

Chartered Accountants,

SCO- 19, 1st Floor,

Sector-11, Panchkula.

**Tel:** 0172-5066820

**Firm Registration Number:** 022150N

**Email:** v.gupta@sskmin.com

**Registrar to the Issue**

**Alankit Assignments Limited**

1E/13, Alankit Heights, Jhandewalan Extension  
 New Delhi- 110055  
 India

**Contact Person:** Pankaj Goenka/ Mahesh Pandey

**Tel:** 011- 42541234, 42541952(D), 42541956(D)

**Fax:** 011- 41540064

**Email:** pankajg1@alankit.com; maheshcp@alankit.com

**Website:** www.alankit.in

**Investor Grievance ID:** info@alankit.com

**SEBI Registration No.:** INR000002532

**Self Certified Syndicate Bankers:**

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process is provided on <http://www.sebi.gov.in>. Details relating to designated branches of SCSBs collecting the ASBA application forms are available at the above mentioned link.

**Issue Schedule**

The subscription will open upon the commencement of the business hours and will close upon the close of business hours on the dates mentioned below:

|   |     |
|---|-----|
| <b>Issue Opening Date:</b>                        | [●] |
| <b>Last date for receiving requests for SAFs:</b> | [●] |
| <b>Issue Closing Date:</b>                        | [●] |

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 (thirty) days from the Issue Opening Date.

**Monitoring Agency**

Since the Issue Size is less than ₹ 50,000 lakhs, in terms of Regulation 16(1) of the ICDR Regulations, our Company is not required to appoint a monitoring agency for the purposes of this Issue.

**Appraising Agency**

None of the purposes for which the Net Proceeds are proposed to be utilized have been financially appraised by any bank, financial institution or third party.

**Debenture Trustee**

This not being a rights issue of convertible debt instruments, the appointment of a debenture trustee is not required.

**Underwriting**

Our Company has entered into an underwriting arrangement with [●] vide underwriting agreement dated [●] with respect to the Issue to the extent of 10,00,000 Right Equity Shares of ₹ 50 each aggregating to ₹500 lakhs (i.e. approximately 7.37 % of the issue). For address and contact details please refer ..... Company has ascertained that the underwriter has sufficient resources to discharge its obligations.

**Statement of responsibilities of the Lead Manager**

As there is only one Lead Manager, inter-se allocation of responsibilities is not applicable. However, the list of major responsibilities of the Master Capital Services Limited in relation to the Issue, *inter alia*, is as follows:

| Sr. No. | Activities  | Responsibility                    |
|---------|---|-----------------------------------|
| 1.      | Capital structuring with the relative components and formalities such as type of instruments, etc.  | MCSL                              |
| 2.      | Undertaking due diligence documents and together with legal counsels assist in drafting of the Offer Documents and of advertisement/publicity material including newspaper advertisements and brochure/ memorandum containing salient features of the Offer Document. Compliance with the ICDR Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.   | MCSL                              |
| 3.      | Selection of various agencies connected with the issue, namely Registrar to the Issue, Bankers to the Issue, Legal Advisors to the Issue, printers and advertising agencies.  | MCSL alongwith Company Management |
| 4.      | Marketing of the Issue, which shall cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) bankers to the Issue, (iii) collection centers as per schedule III of the ICDR Regulations, (iv) distribution of publicity and Issue material including composite application form, draft letter of offer, letter of offer, etc., and deciding upon the quantum of Issue material.   | MCSL                              |
| 5.      | The post Issue activities will involve essential follow up steps, including follow-up with banker(s) to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, finalization of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business. | MCSL                              |

### Credit Rating

This being an issue of equity shares and not of convertible debt instruments, no credit rating is required.

### Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue (i.e. Net Issue and Employee Reservation Portion on a consolidated basis), or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Company shall refund the entire subscription amount received within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws. The above is subject to the terms mentioned under the section titled 'Terms of the Issue' on page 273 paragraph titled 'Minimum Subscription' of this DLOF.

### Principal Terms of Loans and Assets charged as security

For details of the principal terms of loans and assets charged as security of our Company, please see the section titled "Financial Information" on page 165 of this DLOF.

## CAPITAL STRUCTURE

Our share capital as on the date of this Draft Letter of Offer is as set forth below:

|           | Particulars   | Aggregate Value at Nominal Value (In ₹) | Aggregate Value at Issue Price (In ₹) |
|-----------|---|---|---------------------------------------|
| <b>A)</b> | <b>AUTHORISED SHARE CAPITAL</b>                                       |   |                                       |
|           | 6,00,00,000 Equity Shares of ₹ 10 each                                | 60,00,00,000                            | -                                     |
| <b>B)</b> | <b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE</b>  |   |                                       |
|           | 1,85,55,376 Equity Shares of ₹ 10 each                                | 18,55,53,760                            | -                                     |
| <b>C)</b> | <b>PRESENT ISSUE*</b>   |   |                                       |
|           | 1,35,70,000 Equity Shares of ₹ 10 each                                | 13,57,00,000                            | 67,85,00,000                          |
| <b>D)</b> | <b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL AFTER THE ISSUE**</b> |   |                                       |
|           | 3,21,25,376 Equity Shares of ₹ 10 each                                | 32,12,53,760                            | -                                     |
| <b>E)</b> | <b>SECURITIES PREMIUM ACCOUNT</b>                                     |   |                                       |
|           | Before the Issue  | -                                       | -                                     |
|           | After the Issue**   | 54,28,00,000                            | -                                     |

\* The Issue has been authorized by the Board of Directors in its meeting held on October 28, 2016 and by the Shareholders of our Company by way of Postal Ballot/e-Voting ddated December 22, 2016.

\*\*Assuming full subscription of the Issue.

### Details of increase in the Authorized Share Capital since incorporation

| Date of Shareholder's meeting | Particulars   |
|-------------------------------|---|
| Incorporation                 | The authorized share capital of ₹ 5,00,00,000/- (Rupees Five Crore) divided into 50,00,000 (Fifty Lakhs) Equity Shares of ₹ 10/- each   |
| December 13, 2010             | Authorised Share Capital of the Company has been increased from existing ₹5,00,00,000/- (Rupees Five Crore) divided into 50,00,000 (Fifty Lakhs) Equity Shares of ₹ 10/- each to ₹35,00,00,000/- (Rupees Thirty Five Crore) divided into 3,50,00,000 (Three Crore Fifty Lakhs) Equity Shares of ₹10/- each.   |
| September 28, 2016            | Authorised Share Capital of the Company has been increased from existing ₹35,00,00,000/- (Rupees Thirty Five Crore) divided into 3,50,00,000 (Three Crore Fifty Lakhs) Equity Shares of ₹ 10/- each to ₹60,00,00,000/- (Rupees Sixty Crore) divided into 6,00,00,000 (Six Crore) Equity Shares of ₹10/- each. |

### Notes to the Capital Structure

#### 1. Share Capital History

| Date of allotment of the Equity Shares | No. of Equity Shares allotted | Face Value (₹) | Issue Price (₹) | Nature of consideration  | Nature of Allotment  | Issued Equity Capital (₹) | Cumulative number of Equity Shares |
|--|-------------------------------|----------------|-----------------|--------------------------|--|---------------------------|------------------------------------|
| June 30, 2010                          | 50,000                        | 10             | 10              | Cash                     | Initial Allotment based on subscription to Memorandum of Association | 5,00,000                  | 50,000                             |
| January 01, 2011                       | 57,75,000                     | 10             | 10              | Cash                     | Further allotment of equity shares                                   | 5,77,50,000               | 58,25,000                          |
| April 08, 2011                         | 1,27,30,376                   | 10             | 10              | Under De-merger Scheme * | Further allotment of equity shares                                   | 12,73,03,760              | 1,85,55,376                        |

## \* Scheme of Arrangement & Demerger

Petition no. 104 & 136 of 2010 under Section 391 to 394 and other applicable provisions of the Companies Act, 1956 approved by Punjab and Haryana High Court Chandigarh vide order dated 12.01.11. (Appointment date January 01, 2011 Effective date March 15, 2011)

### A. Background and Rationale

Vardhman Textile Limited (“Demerged Company” or “VTXL”) is one of the largest Textile companies in India. In addition to manufacture of yarns and fabric, the company was also engaged in the business of manufacturing of Alloy Steel.

The steel produced by the company is used in automotive components, forging, ball bearing, piston pins, engineering applications, railways, defense etc. The company was the preferred supplier to leading companies like Telco, Ashok Leyland, Maruti, Hindustan Motors, Toyota, M & M and Escorts among others. The steel business was operating as a business undertaking of Vardhman Textiles Limited. The management of VTXL believed that the steel business has significant potential for expansion and growth. The nature of technology, risk and competition involved in the textile and steel business was significantly different from each other. Consequently, each of the business or undertaking was capable of addressing independent business opportunities, deploying different technologies and attracting different sets of investors, strategic partners, lenders and other stakeholders. Therefore, the management of VTXL believed that the steel and textile business should be pursued under separate independent companies.

VTL therefore proposed to re-organize and segregate, by way of demerger, its business and undertaking engaged in steel business (“Steel Business Undertaking” –means and includes the undertaking of the Demerged Company consisting, inter-alia, all assets including immoveable property and all liabilities relating thereto) into a “Resulting Company” (“Vardhman Special Steels Ltd.” or “VSSL”)

### B. Vesting of Undertaking

With effect from the Appointed Date and upon the Scheme becoming effective and subject to the provisions of the Scheme, the Steel Business Undertaking of the “Demerged Company” was transferred & VTXL vested in the Resulting Company / VSSL, as a going concern, in the following manner :

- a) With effect from the Appointed Date, the whole of the undertaking and properties comprising the Steel Business Undertaking of VTXL without any further act or deed were transferred and vested in the Resulting Company with all the rights, title and interest pertaining to the Steel Business Undertaking of the Demerged Company.
- b) With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Demerged Company / VTXL relating to the Steel Business undertaking without any further act or deed were transferred to the Resulting Company as the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company.

The working capital lenders relating to the Steel Business Undertaking existing as of the Effective Date, that have security over the current assets of Demerged Company were entitled to (a) security over the current assets of the Resulting Company and (b) a charge of the fixed assets of the Resulting Company (subject to first charge created / to be created in favour of the term lenders, if any).

All loans raised after the Appointed Date but before the Effective Date and liabilities incurred by the Demerged Company after the Appointed Date but before the Effective Date for operations of the Steel Business Undertaking were to be discharged by the Resulting Company.

- c) With effect from the Appointed Date, all documents of title, deeds, papers, contracts etc pertaining to the Steel Business Undertaking were handed over to the Resulting Company.
- d) The transfer and vesting of the assets of the Demerged Company relating to the Steel Business Undertaking were effected as follows:
  - i. The immoveable properties including land, building and structures belonging to and / or vested in the Steel Business Undertaking without any further act or deed were transferred to and vested in to the Resulting Company. With effect from the Appointed Date, the Resulting Company was entitled to exercise all rights and privileges and liable to pay ground rent, municipal taxes, if any, and fulfill all obligations in relations to or applicable to such immovable properties. The mutation of title to the immovable properties in the name of the Resulting Company was made and duly

recorded by appropriate authorities after the Scheme became effective in accordance with the terms hereof.

- ii. All the movable assets of the Steel business Undertaking or assets otherwise capable of transfer by manual delivery or by endorsement and deliver, including cash in hand were physically handed over by manual delivery to the Resulting Company to the end and intent that the property therein passed to the Resulting Company on such delivery, without requiring any deed or instrument or conveyance for the same and became the property of the Resulting Company accordingly.
- iii. In respect of other movable assets including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or value to be received, bank balances and deposits, if any were paid or made good or held after the Appointment Date were done by Demerged Company on account of the Resulting Company.
- iv. All taxes duties, cess payable by Demerged Company relating to the Steel Business Undertaking and all or any refunds / credits (including cenvat credits) / claims relating thereto were treated as the liability or refunds / credit / claims, as the case may be, of the Resulting Company.

### **C. Consideration**

In consideration of the transfer and vesting of the steel Business Undertaking of Demerged Company in the Resulting Company, in terms of this Scheme, the shareholders of Demerged Company were allotted the shares of the Resulting Company as per details given below:

- a) The resulting Company in consideration for the transfer or and vesting of the Steel Business Undertaking in the Resulting Company, without any further application, act, instrument or deed, issued and allotted to the equity shareholders of Demerged Company, whose names were registered in its register of members on the relevant record date, or his/her/its heirs, executors or, as the case may be, successors, 1 (One) fully paid up Equity share of ₹ 10 (Rupees Ten) each for every 5 (Five fully paid-up equity shares of ₹ 10 (Rupees Ten) each in Demerged Company.
- b) The Equity Shares of Resulting Company were listed on all the stock exchanges on which the shares of Demerged Company were listed as on the Effective Date.
- c) The issue and allotment of Equity Shares to the members of Demerged Company as provided in this Scheme were deemed to have been made in compliance with the procedure laid down under Section 81(1A) and any other provisions of the Act.

### **D. Accounting Treatment**

- a) In the books of the Resulting Company:
  - i. The Resulting Company recorded the Assets and Liabilities of the Steel business Undertaking of the Demerged Company vested in it pursuant to this Scheme, at the respective book values thereof as appearing in the books of the Demerged Company (excluding revaluation, if any) at the close of books business of the day immediately preceding the Appointed Date.
  - ii. The Resulting Company in its books of account credited to its Share Capital Account the aggregate face value of the Equity Shares issued by it to the member(s) of the Demerged Company pursuant to the Scheme.
  - iii. The difference between value of the net assets of the Steel Business Undertaking transferred pursuant to this Scheme and the face value of Equity Shares allotted was transferred to the General Reserve and debited to the Profit and Loss Account.
- b) In the books of the Demerged Company:
  - i. All the assets and liabilities pertaining to the Steel Business ceased to be assets and liabilities of the Demerged Company and were reduced by the Demerged Company at their book values.
  - ii. The aggregate of the net assets of the Steel business undertaking transferred to the Resulting Company standing in the books of the Demerged Company, was adjusted against the General Reserves.

### **E. Conduct of Business**

- a) As and from the date of approval of the Scheme by the Board of Directors of the Demerged Company and the Board of Directors of the Resulting Company and till the Effective Date, the Demerged Company.

- i. Was deemed to have been carrying on all business activities relating to the Steel Business Undertaking and stood possessed of all the assets, rights, title, and interest of the Steel Business Undertaking for and on account of, and in trust for, the Resulting Company.
  - ii. Ensured that all profits accruing or losses arising or incurred by it (including the effect of taxes if any thereon) from the Appointed Date till the Effective Date, relating to the Steel Business Undertaking were for all purposes, treated as the profits, taxes or losses, as the case may be, of the Resulting Company.
  - iii. Carried on the business of the Steel Business Undertaking with reasonable care and diligences and in the same manner as it had been doing hitherto;
  - iv. Did not, without the written concurrence of Board of the Resulting Company, sell, transfer or otherwise alienate, charge, mortgage or encumber or otherwise deal with or dispose of any of its properties except, in the ordinary course of business or pursuant to any pre-existing obligation undertaking prior to the date of acceptance of the Scheme by the respective Boards of Directors of the Demerged Company and the Resulting Company.
  - v. Did not vary or alter, except in the ordinary course of its business and as may be required for reorganization, the terms and conditions of employment of any of its employees in relation to the Steel Business Undertaking.
- b) With effect from the Effective Date, the Resulting Company continued and carried on and was authorized to carry on the businesses carried on by the Steel Business Undertaking of the Demerged Company.

#### ***F. Staff, Workmen and Employees.***

On the Scheme becoming operative, all staff, workmen and employees of the Steel Business Undertaking of the Demerged Company in service on the Effective Date were deemed to have become staff, workmen and employees of the Resulting Company with effect from Appointed Date without any break in their service. The terms and conditions of their employment with the Resulting Company were not less favorable than those applicable to them in the Demerged Company on the Effective Date.

#### ***G. Legal Proceedings***

All legal proceedings of whatsoever nature by or against the Demerged Company pending and/ or arising at the Appointed Date in relation to the Steel Business undertaking were continued and enforced by or against the Resulting Company, and the Resulting Company bore the liabilities of such proceedings at its own cost. The Demerged Company extended all its assistance to defend such proceedings at the cost of the Resulting Company.

#### ***H. Contracts, Deed, etc.***

Subject to the other provisions of this Scheme, all contracts, deeds bonds agreements and other instruments including any contract for exploitation of intellectual property rights and all other rights, title, interest, labels and brands registration , copyrights, patents, trademarks, trade names and other industrial or intellectual property rights of any nature whatsoever, pertaining to the Steel Business Undertaking to which the Demerged Company was party and which were subsisting or having effect on the Effective Date, were in full force and effect against or in favour of the Resulting Company, as the case may be, and were enforced by or against the Resulting Company as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto. Further, all contracts with third parties relating to the Steel Business Undertaking to which the Demerged Company was party, were in full force and effect against or in favour of the Resulting Company.

#### ***I. General Terms and Condition:***

- a) The Resulting Company was entitled to claim credit for TDS Certificate and advance tax payments of Demerged Company between the Appointed Date and Effective Date relating to the Steel Business Undertaking vested in the Resulting Company.
- b) No stamp duty was payable in the State of Punjab for vesting of the Steel Business Undertaking in the Resulting Company pursuant to this Scheme.
- c) Each of the permissions, approvals, consents, sanctions, remissions, special reservations, sales tax remissions, tax holidays, incentives, concessions and other authorizations stood vested in the Resulting Company, the Resulting Company filed the relevant intimations, for the record of the statutory authorities who took them on record.

#### J. Reorganization of Capital

- Before the Effective Date, the Resulting Company took necessary steps to increase or alter, to the extent required, its Authorized Share Capital suitably to enable it to issue and allot the equity shares pursuant to this Scheme.
- Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Resulting Company (relating to the authorized share capital) were, without any further act, instrument or deed, stood altered, modified and amended.
- The new equity shares in the Resulting Company issued to the members of the Demerged Company were subject to the Memorandum and Articles of Association of the Resulting Company and pari passu in all respects with the existing shares in the Resulting Company.
- For the purpose of issuing the aforesaid shares to the shareholders of the Demerged Company it was deemed that the shareholders of the Resulting Company have given their consent to issue aforesaid shares to the shareholders of the Demerged Company as required under Section 81 (1A) of the Act.

#### K. Freehold immovable property vested in Resulting Company

- Land measuring 52048.6 square yards situated at C-58, Phase -V, Focal point, Ludhiana in the state of Punjab acquired vide Vasika no. 4486 dated 03.10.1973.
- Land measuring 6.11 acres situated at C-58, Phase V, Focal Point, Dhandari Kalan, Ludhiana in the state of Punjab acquired vide Vasika No. 4480 dated 25.05.1989.
- Land measuring 7702 square yards situated at C-58A, opposite Plot no. C-26, Phase -V, Focal point, Dhandari Kalan, Ludhiana in the state of Punjab acquired vide vasika no. 509 dated 12.04.2004.
- Land measuring 1.29 acres situated at C-58, Phase -V, Focal Point, Ludhiana in the state of Punjab acquired vide Vasika No. 6714 dated 13.05.1994 in the Revenue Estate of Village Jamalpur Awana having its hadbast No. 177 Khewat no. 761, Khatuni No. 852, Tehsil & District Ludhiana, in the State of Punjab. Out of 69 kanal 02 marlas, the Demerged Company was the owner of the 10 kanal 6 -1/2 marlas (1.29 acres).

The aforesaid land was transferred along with the buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth.

#### Allotment of shares pursuant to the scheme approved under section 391-394 of Companies Act, 1956

Details of Equity Shares issued for consideration other than cash or bonus issues are as follows:

|  |  |                                |
|--|--|--------------------------------|
| <b>Date of allotment</b>               | April 08, 2011   |                                |
| <b>Number of equity shares</b>         | 1,27,30,376  |                                |
| <b>Face value (₹)</b>                  | 10   |                                |
| <b>Issue price (₹)</b>                 | -  |                                |
| <b>Reasons for allotment</b>           | Shares allotted pursuant to Scheme of Arrangement and Demerger between Vardhman Textiles Limited & Vardhman Special Steels Limited |                                |
| <b>Benefits accrued to the Company</b> | -  |                                |
| <b>Allottees</b>                       | <b>Name</b>  | <b>Number of equity shares</b> |
| 1.                                     | Adinath Investment & Trading Company (Now Adishwar Enterprises, LLP)   | 25,22,655                      |
| 2.                                     | Devakar Investment & Trading Co. Pvt. Ltd.   | 11,08,175                      |
| 3.                                     | Flamingo Finance & Investment Company Limited  | 1,18,102                       |
| 4.                                     | Anklesh Investments Private Limited  | 71,500                         |
| 5.                                     | Marshall Investment and Trading Company Private Limited  | 1,09,102                       |
| 6.                                     | Ramaniya Finance and Investment Company Limited  | 94,006                         |
| 7.                                     | Santon Finance and Investment Company Limited  | 1,01,120                       |
| 8.                                     | Plaza Trading Company Private Limited  | 168                            |
| 9.                                     | Pradeep Mercantile Company Private Limited   | 144                            |

|     |   |           |
|-----|---|-----------|
| 10. | Srestha Holdings Limited                              | 34,400    |
| 11. | Syracuse Investment & Trading Company Private Limited | 5,523     |
| 12. | Mahavir Spinning Mills Private Limited                | 2,129     |
| 13. | Vardhman Holdings Limited                             | 30,80,517 |
| 14. | VTL Investments Limited                               | 2,26,800  |
| 15. | Mr. S.P. Oswal  | 1,28,629  |
| 16. | Shri Paul and Sons (HUF)                              | 5,689     |
| 17. | Mrs. Shakun Oswal                                     | 30,715    |
| 18. | Mrs. Suchita Jain                                     | 52,265    |
| 19. | Mr. Sachit Jain                                       | 8,001     |
| 20. | Ms. Soumya Jain                                       | 1,596     |
| 21. | Ms. Sagrika Jain                                      | 1,548     |
| 22. | Eastern Trading Company                               | 11,808    |
| 23. | Amber Syndicate                                       | 17,249    |
| 24. | Northern Trading Company                              | 16,512    |
| 25. | Paras Syndicate                                       | 18,309    |
| 26. | Mahavir Shares Trust                                  | 3,19,747  |
| 27. | Public Shareholders                                   | 46,43,967 |

2. Share capital build-up for the shareholding of the Promoter(s) in the Company:

| Date of allotment/transfer                                   | No. of Equity Shares allotted/acquired/(sold)/(transferred) | Face Value (₹) | Acquisition on Price/Sale Price (₹) | Nature of transaction (Cash, Consideration other than cash) | Allotment/Transfer | Pre-Issue Capital (%) | Post-Issue Capital (%) |
|--|---|----------------|-------------------------------------|---|--------------------|-----------------------|------------------------|
| <b>Mr. S.P. OSWAL</b>  |   |                |                                     |   |                    |                       |                        |
| June 30, 2010<br>(As a Nominee of Vardhman Textiles Limited) | 1   | 10             | 10                                  | Cash  | *                  | 0.00                  | [●]                    |
| April 08, 2011   | 1,28,629  | 10             | -                                   | Consideration other than Cash                               | #                  | 0.69                  | [●]                    |
| May 03, 2014   | 3,793   | 10             | -                                   | -   | ^                  | 0.02                  | [●]                    |
| March 11, 2016<br>(As a nominee of VTXL)                     | (1)   | 10             | 10                                  | Cash  | @                  |                       | [●]                    |
| <b>Total</b>   | <b>132,422</b>  |                |                                     |   |                    | <b>0.71</b>           | <b>[●]</b>             |
| <b>SHRI PAUL OSWAL AND SONS (HUF)</b>                        |   |                |                                     |   |                    |                       |                        |
| April 08, 2011   | 5,689   | 10             | -                                   | Consideration other than Cash                               | #                  | 0.03                  | 0.00                   |
| May 03, 2014   | (5,689)   | 10             | -                                   | -   | ^                  | (0.03)                | 0.00                   |
| <b>Total</b>   | <b>0</b>  |                |                                     |   |                    | <b>0.00</b>           | <b>0.00</b>            |
| <b>Mrs. SHAKUN OSWAL</b>                                     |   |                |                                     |   |                    |                       |                        |
| June 30, 2010<br>(As a nominee of VTXL)                      | 1   | 10             | 10                                  | Cash  | *                  | 0.00                  | [●]                    |
| April 08, 2011   | 30,715  | 10             | -                                   | Consideration other than Cash                               | #                  | 0.17                  | [●]                    |
| March 11, 2016   | (1)   | 10             | 10                                  | Cash  | @                  | 0.00                  | [●]                    |

|   |                  |    |    |                               |    |              |            |
|---|------------------|----|----|-------------------------------|----|--------------|------------|
| (As a nominee of VTXL)  |                  |    |    |                               |    |              |            |
| <b>Total</b>  | <b>30,715</b>    |    |    |                               |    | <b>0.17</b>  | <b>[●]</b> |
| <b>Mrs. SUCHITA JAIN</b>  |                  |    |    |                               |    |              |            |
| June 30, 2010<br>(As a nominee of VTXL)                                   | 1                | 10 | 10 | Cash                          | *  | 0.00         | [●]        |
| April 08, 2011  | 52,256           | 10 | -  | Consideration other than Cash | #  | 0.28         | [●]        |
| May 03, 2014  | 1,896            | 10 | -  | -                             | ^  | 0.01         | [●]        |
| March 11, 2016<br>(As a nominee of VTXL)                                  | (1)              | 10 | 10 | Cash                          | @  | 0.00         | [●]        |
| <b>Total</b>  | <b>54,161</b>    |    |    |                               |    | <b>0.29</b>  | <b>[●]</b> |
| <b>Mr. SACHIT JAIN</b>  |                  |    |    |                               |    |              |            |
| June 30, 2010<br>(As a nominee of VTXL)                                   | 1                | 10 | 10 | Cash                          | *  | 0.00         | [●]        |
| April 08, 2011  | 8,001            | 10 | -  | Consideration other than Cash | #  | 0.04         | [●]        |
| March 11, 2016<br>(As a nominee of VTXL)                                  | (1)              | 10 | 10 | Cash                          | @  | 0.00         | [●]        |
| <b>Total</b>  | <b>8,001</b>     |    |    |                               |    | <b>0.04</b>  | <b>[●]</b> |
| <b>Mr. DARSHAN LAL SHARMA (AS A NOMINEE OF VARDHMAN TEXTILES LIMITED)</b> |                  |    |    |                               |    |              |            |
| June 30, 2010   | 1                | 10 | 10 | Cash                          | *  | 0.00         | [●]        |
| March 11, 2016  | (1)              | 10 | 10 | Cash                          | @  | 0.00         | [●]        |
| <b>Total</b>  | <b>0</b>         |    |    |                               |    | <b>0.00</b>  | <b>[●]</b> |
| <b>Mr. RAJEEV THAPAR (AS A NOMINEE OF VARDHMAN TEXTILES LIMITED)</b>      |                  |    |    |                               |    |              |            |
| June 30, 2010   | 1                | 10 | 10 | Cash                          | *  | 0.00         | [●]        |
| March 11, 2016  | (1)              | 10 | 10 | Cash                          | @  | 0.00         | [●]        |
| <b>Total</b>  | <b>0</b>         |    |    |                               |    | <b>0.00</b>  | <b>[●]</b> |
| <b>VARDHMAN TEXTILES LIMITED</b>  |                  |    |    |                               |    |              |            |
| June 30, 2010   | 49,994           | 10 | 10 | Cash                          | *  | 0.27         | [●]        |
| January 01, 2011  | 57,75,000        | 10 | 10 | Cash                          | \$ | 31.12        | [●]        |
| March 11, 2016  | 6                | 10 | 10 | Cash                          | !  | 0.00         | [●]        |
| <b>Total</b>  | <b>58,25,000</b> |    |    |                               |    | <b>31.39</b> | <b>[●]</b> |
| <b>Ms. SOUMYA JAIN</b>  |                  |    |    |                               |    |              |            |
| April 08, 2011  | 1,596            | 10 | -  | Consideration other than Cash | #  | 0.01         | [●]        |
| <b>Total</b>  | <b>1,596</b>     |    |    |                               |    | <b>0.01</b>  | <b>[●]</b> |
| <b>Ms. SAGRIKA JAIN</b>   |                  |    |    |                               |    |              |            |
| April 08, 2011  | 1,548            | 10 | -  | Consideration other than Cash | #  | 0.01         | [●]        |
| <b>Total</b>  | <b>1,548</b>     |    |    |                               |    | <b>0.01</b>  | <b>[●]</b> |
| <b>EASTERN TRADING COMPANY</b>  |                  |    |    |                               |    |              |            |
| April 08, 2011  | 11,808           | 10 | -  | Consideration other than Cash | #  | 0.06         | [●]        |
| <b>Total</b>  | <b>11,808</b>    |    |    |                               |    | <b>0.06</b>  | <b>[●]</b> |

|  |                  |    |   |                               |   |              |            |
|--|------------------|----|---|-------------------------------|---|--------------|------------|
| <b>AMBER SYNDICATE</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 17,249           | 10 | - | Consideration other than Cash | # | 0.09         | [●]        |
| <b>Total</b>   | <b>17,249</b>    |    |   |                               |   | <b>0.09</b>  | <b>[●]</b> |
| <b>NORTHERN TRADING COMPANY</b>  |                  |    |   |                               |   |              |            |
| April 08, 2011   | 16,512           | 10 | - | Consideration other than Cash | # | 0.09         | [●]        |
| <b>Total</b>   | <b>16,512</b>    |    |   |                               |   | <b>0.09</b>  | <b>[●]</b> |
| <b>PARAS SYNDICATE</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 18,309           | 10 | - | Consideration other than Cash | # | 0.10         | [●]        |
| <b>Total</b>   | <b>18,309</b>    |    |   |                               |   | <b>0.10</b>  | <b>[●]</b> |
| <b>ADINATH INVESTMENT AND TRADING COMPANY (CONVERTED INTO ADISHWAR ENTERPRISES, LLP w.e.f. 05.06.2014)</b> |                  |    |   |                               |   |              |            |
| April 08, 2011   | 25,22,655        | 10 | - | Consideration other than Cash | # | 13.60        | [●]        |
| <b>Total</b>   | <b>25,22,655</b> |    |   |                               |   | <b>13.60</b> | <b>[●]</b> |
| <b>FLAMINGO FINANCE AND INVESTMENT COMPANY LIMITED</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 1,18,102         | 10 | - | Consideration other than Cash | # | 0.64         | [●]        |
| <b>Total</b>   | <b>1,18,102</b>  |    |   |                               |   | <b>0.64</b>  | <b>[●]</b> |
| <b>SANTON FINANCE AND INVESTMENT COMPANY LIMITED</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 1,01,120         | 10 | - | Consideration other than Cash | # | 0.54         | [●]        |
| <b>Total</b>   | <b>1,01,120</b>  |    |   |                               |   | <b>0.54</b>  | <b>[●]</b> |
| <b>RAMANIYA FINANCE AND INVESTMENT COMPANY LIMITED</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 94,006           | 10 | - | Consideration other than Cash | # | 0.51         | [●]        |
| <b>Total</b>   | <b>94,006</b>    |    |   |                               |   | <b>0.51</b>  | <b>[●]</b> |
| <b>MAHAVIR SPINNING MILLS PRIVATE LIMITED</b>  |                  |    |   |                               |   |              |            |
| April 08, 2011   | 2,129            | 10 | - | Consideration other than Cash | # | 0.01         | [●]        |
| <b>Total</b>   | <b>2,129</b>     |    |   |                               |   | <b>0.01</b>  | <b>[●]</b> |
| <b>DEVAKAR INVESTMENT &amp; TRADING COMPANY PRIVATE LIMITED (DEVAKAR)</b>                                  |                  |    |   |                               |   |              |            |
| April 08, 2011   | 11,08,175        | 10 | - | Consideration other than Cash | # | 5.97         | [●]        |
| October 19, 2016   | 2,20,837         | 10 | - | Consideration other than Cash | % | 1.19         | [●]        |
| <b>Total</b>   | <b>13,29,012</b> |    |   |                               |   | <b>7.16</b>  | <b>[●]</b> |
| <b>ANKLESH INVESTMENTS PRIVATE LIMITED (ANKLESH)</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 71,500           | 10 | - | Consideration other than Cash | # | 0.39         | [●]        |
| October 19, 2016   | (71,500)         | 10 | - | Consideration other than Cash | % | (0.39)       | [●]        |
| <b>Total</b>   | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>PRADEEP MERCANTILE COMPANY PRIVATE LIMITED (PRADEEP)</b>  |                  |    |   |                               |   |              |            |
| April 08, 2011   | 144              | 10 | - | Consideration other than Cash | # | 0.00         | [●]        |
| October 19, 2016   | (144)            | 10 | - | Consideration other than Cash | % | 0.00         | [●]        |
| <b>Total</b>   | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>PLAZA TRADING COMPANY PRIVATE LIMITED (PLAZA)</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011   | 168              | 10 | - | Consideration other than Cash | # | 0.00         | [●]        |

|   |                  |    |   |                               |   |              |            |
|---|------------------|----|---|-------------------------------|---|--------------|------------|
| October 19, 2016  | (168)            | 10 | - | Consideration other than Cash | % | 0.00         | [●]        |
| <b>Total</b>  | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>MARSHALL INVESTMENT AND TRADING COMPANY PRIVATE LIMITED (MARSHALL)</b>                   |                  |    |   |                               |   |              |            |
| April 08, 2011  | 1,09,102         | 10 | - | Consideration other than Cash | # | 0.59         | [●]        |
| October 19, 2016  | (1,09,102)       | 10 | - | Consideration other than Cash | % | (0.59)       | [●]        |
| <b>Total</b>  | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>SYRACUSE INVESTMENT AND TRADING COMPANY PRIVATE LIMITED (SYRACUSE)</b>                   |                  |    |   |                               |   |              |            |
| April 08, 2011  | 5,523            | 10 | - | Consideration other than Cash | # | 0.03         | [●]        |
| October 19, 2016  | (5,523)          | 10 | - | Consideration other than Cash | % | (0.03)       | [●]        |
| <b>Total</b>  | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>SRESTHA HOLDINGS LIMITED (SRESTHA HOLDINGS PVT. LIMITED w.e.f. 01.09.2015 (SRESTHA))</b> |                  |    |   |                               |   |              |            |
| April 08, 2011  | 34,400           | 10 | - | Consideration other than Cash | # | 0.19         | [●]        |
| October 19, 2016  | (34,400)         | 10 | - | Consideration other than Cash | % | (0.19)       | [●]        |
| <b>Total</b>  | <b>0</b>         |    |   |                               |   | <b>0.00</b>  | <b>[●]</b> |
| <b>VARDHMAN HOLDINGS LIMITED</b>  |                  |    |   |                               |   |              |            |
| April 08, 2011  | 30,80,517        | 10 | - | Consideration other than Cash | # | 16.60        | [●]        |
| <b>Total</b>  | <b>30,80,517</b> |    |   |                               |   | <b>16.60</b> | <b>[●]</b> |
| <b>VTL INVESTMENTS LIMITED</b>  |                  |    |   |                               |   |              |            |
| April 08, 2011  | 2,26,800         | 10 | - | Consideration other than Cash | # | 1.22         | [●]        |
| <b>Total</b>  | <b>2,26,800</b>  |    |   |                               |   | <b>1.22</b>  | <b>[●]</b> |
| <b>MAHAVIR SHARES TRUST</b>   |                  |    |   |                               |   |              |            |
| April 08, 2011  | 3,19,747         | 10 | - | Consideration other than Cash | # | 1.72         | [●]        |
| <b>Total</b>  | <b>3,19,747</b>  |    |   |                               |   | <b>1.72</b>  | <b>[●]</b> |

**Note:**

\* Initial Allotment based on subscription to Memorandum of Association.

# Shares allotted pursuant to Scheme of Arrangement and Demerger between Vardhman Textiles Limited & Vardhman Special Steels Limited.

^ Shri Paul Oswal & Sons, HUF has undergone partition w.e.f. 03.05.2014 and shares held by it have been transmitted to Mr. S.P. Oswal & Mrs. Suchita Jain.

@ Shares held as nominee of VTXL transferred to it.

\$ Further Allotment of equity shares.

! Shares held by Mr. S.P. Oswal, Mrs. Shakun Oswal, Mrs. Suchita Jain, Mr. Sachit Jain, Mr. Darshan Lal Sharma and Mr. Rajeev Thapar as nominee of VTXL transferred to it.

% Pursuant to Scheme of Amalgamation of Anklesh, Pradeep, Plaza, Srestha, Marshall and Syracuse with Devakar sanctioned by Hon'ble Punjab & Haryana High Court vide its order dated 01.08.2016 the Investments made by merged companies got transferred into Devakar.

### 3. Shareholding Pattern of our Company as on December 31, 2016

#### A. Statement showing holding of specified securities as on December 31, 2016:

| Category (I) | Category of shareholder (II)   | Nos. of shareholders (III) | No. of fully paid up equity shares held (IV) | No. of Partly paid-up equity shares held (V) | No. of shares underlying Depository Receipts (VI) | Total nos. shares held (VII) = (IV)+(V)+(VI) | Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2) | Number of Voting Rights held in each class of securities (IX) |             |                 | No. of Shares Underlying Outstanding convertible securities (including Warrants) (X) | Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI) = (VII)+(X) As a % of (A+B+C2) | Number of Locked in shares (XII) |          | Number of Shares pledged or otherwise encumbered (XIII) |          | Number of equity shares held in dematerialized form (XIV) |                                 |
|--------------|--------------------------------|----------------------------|--|--|---|--|---|---|-------------|-----------------|--|--|----------------------------------|----------|---|----------|---|---------------------------------|
|              |                                |                            |  |  |   |  |   | No of Voting Rights   |             |                 |  |  | Total as a % of (A+B+C)          | No. (a)  | As a % of total Shares held (b)                         | No. (a)  |   | As a % of total Shares held (b) |
|              |                                |                            |  |  |   |  |   | Class eg: X   | Class eg: y | Total           |  |  |                                  |          |   |          |   |                                 |
| (A)          | Promoter & Promoter Group      | 21                         | 13911409                                     | 0  | 0   | 13911409                                     | 74.97   | 13911409  | 0           | 13911409        | 74.97  | 0  | 74.97                            | 0        | 0.00  | 0        | 0.00  | 13911409                        |
| (B)          | Public                         | 16383                      | 4643967                                      | 0  | 0   | 4643967                                      | 25.03   | 4643967   | 0           | 4643967         | 25.03  | 0  | 25.03                            | 0        | 0.00  | 0        | 0.00  | 4405191                         |
| (C)          | Non Promoter-Non Public        | 0                          | 0  | 0  | 0   | 0  | 0.00  | 0   | 0           | 0               | 0.00   | 0  | 0.00                             | 0        | 0.00  | 0        | 0.00  | 0                               |
| (C1)         | Shares underlying DRs          | 0                          | 0  | 0  | 0   | 0  | 0.00  | 0   | 0           | 0               | 0.00   | 0  | 0.00                             | 0        | 0.00  | 0        | 0.00  | 0                               |
| (C2)         | Shares held by Employee Trusts | 0                          | 0  | 0  | 0   | 0  | 0.00  | 0   | 0           | 0               | 0.00   | 0  | 0.00                             | 0        | 0.00  | 0        | 0.00  | 0                               |
|              | <b>Total</b>                   | <b>16404</b>               | <b>18555376</b>                              | <b>0</b>                                     | <b>0</b>  | <b>18555376</b>                              | <b>100.00</b>   | <b>18555376</b>   | <b>0</b>    | <b>18555376</b> | <b>100.00</b>  | <b>0</b>   | <b>100.00</b>                    | <b>0</b> | <b>0.00</b>   | <b>0</b> | <b>0.00</b>   | <b>18316600</b>                 |

**B. Statement showing shareholding pattern of our Promoter and Promoter Group as on December 31, 2016:**

| Category & Name of the Shareholders (I)       | No. of shareholder (II) | No. of fully paid up equity shares held (III) | Partly paid-up equity shares held (IV) | Nos. of shares underlying Depository Receipts (V) | Total nos. shares held (VI = III+IV+V) | Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2) (VII) | Number of Voting Rights held in each class of securities (VIII) |          |               | No. of Shares Underlying Outstanding convertible securities (including Warrants) (IX) | Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (X) = (VI)+(IX) as a % of A+B+C2 | Number of Locked in shares (XI)     |             | Number of Shares pledged or otherwise encumbered (XII) |          | Number of equity shares held in dematerialized form (XIII) |                                 |             |               |
|---|-------------------------|---|--|---|--|--|---|----------|---------------|---|--|-------------------------------------|-------------|--|----------|--|---------------------------------|-------------|---------------|
|   |                         |   |  |   |  |  | No of Voting Rights   |          |               |   |  | Total as a % of Total Voting rights | No. (a)     | As a % of total Shares held (b)                        | No. (a)  |  | As a % of total Shares held (b) |             |               |
|   |                         |   |  |   |  |  | Class X   | Class Y  | Total         |   |  |                                     |             |  |          |  |                                 |             |               |
| <b>(1) Indian</b>                             |                         |   |  |   |  |  |   |          |               |   |  |                                     |             |  |          |  |                                 |             |               |
| <b>(a) Individuals/Hindu Undivided Family</b> | <b>10</b>               | <b>292321</b>                                 | <b>0</b>                               | <b>0</b>  | <b>292321</b>                          | <b>1.58</b>  | <b>292321</b>   | <b>0</b> | <b>292321</b> | <b>1.58</b>   | <b>0</b>   | <b>1.58</b>                         | <b>0</b>    | <b>0.00</b>  | <b>0</b> | <b>0.00</b>  | <b>0</b>                        | <b>0.00</b> | <b>292321</b> |
| S.P. OSWAL                                    |                         | 132422  | 0                                      | 0   | 132422                                 | 0.71   | 132422  | 0        | 132422        | 0.71  | 0  | 0.71                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 132422        |
| SHAKUN OSWAL                                  |                         | 30715   | 0                                      | 0   | 30715                                  | 0.17   | 30715   | 0        | 30715         | 0.17  | 0  | 0.17                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 30715         |
| SUCHITA JAIN                                  |                         | 54161   | 0                                      | 0   | 54161                                  | 0.29   | 54161   | 0        | 54161         | 0.29  | 0  | 0.29                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 54161         |
| SACHIT JAIN                                   |                         | 8001  | 0                                      | 0   | 8001                                   | 0.04   | 8001  | 0        | 8001          | 0.04  | 0  | 0.04                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 8001          |
| SOUMYA JAIN                                   |                         | 1596  | 0                                      | 0   | 1596                                   | 0.01   | 1596  | 0        | 1596          | 0.01  | 0  | 0.01                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 1596          |
| SAGRIKA JAIN                                  |                         | 1548  | 0                                      | 0   | 1548                                   | 0.01   | 1548  | 0        | 1548          | 0.01  | 0  | 0.01                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 1548          |
| EASTERN TRADING COMPANY                       |                         | 11808   | 0                                      | 0   | 11808                                  | 0.06   | 11808   | 0        | 11808         | 0.06  | 0  | 0.06                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 11808         |
| AMBAR SYNDICATE                               |                         | 17249   | 0                                      | 0   | 17249                                  | 0.09   | 17249   | 0        | 17249         | 0.09  | 0  | 0.09                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 17249         |
| NORTHERN TRADING COMPANY                      |                         | 16512   | 0                                      | 0   | 16512                                  | 0.09   | 16512   | 0        | 16512         | 0.09  | 0  | 0.09                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 16512         |
| PARAS SYNDICATE                               |                         | 18309   | 0                                      | 0   | 18309                                  | 0.10   | 18309   | 0        | 18309         | 0.10  | 0  | 0.10                                | 0           | 0.00   | 0        | 0.00   |                                 |             | 18309         |
| <b>(b) Central</b>                            | <b>0</b>                | <b>0</b>                                      | <b>0</b>                               | <b>0</b>  | <b>0</b>                               | <b>0.00</b>  | <b>0</b>  | <b>0</b> | <b>0</b>      | <b>0.00</b>   | <b>0</b>   | <b>0.00</b>                         | <b>0.00</b> | <b>0.00</b>  | <b>0</b> | <b>0.00</b>  | <b>0</b>                        | <b>0.00</b> | <b>0</b>      |

|     |  |    |          |   |   |          |       |          |   |          |       |   |       |      |      |   |      |          |
|-----|--|----|----------|---|---|----------|-------|----------|---|----------|-------|---|-------|------|------|---|------|----------|
|     | <b>Government/State Government(s)</b>                    |    |          |   |   |          |       |          |   |          |       |   |       |      |      |   |      |          |
| (c) | <b>Financial Institutions/Banks</b>                      | 0  | 0        | 0 | 0 | 0        | 0.00  | 0        | 0 | 0        | 0.00  | 0 | 0.00  | 0.00 | 0.00 | 0 | 0.00 | 0        |
| (d) | <b>Any Others (specify) #</b>                            | 11 | 13619088 | 0 | 0 | 13619088 | 73.40 | 13619088 | 0 | 13619088 | 73.40 | 0 | 73.40 | 0.00 | 0.00 | 0 | 0.00 | 13619088 |
|     | <b>BODY CORPORATE</b>                                    |    |          |   |   |          |       |          |   |          |       |   |       |      |      |   |      |          |
|     | DEVIKAR INVESTMENT AND TRADING COMPANY PRIVATE LIMITED*  |    | 1310736  | 0 | 0 | 1310736  | 7.06  | 1310736  | 0 | 1310736  | 7.06  | 0 | 7.06  | 0    | 0.00 | 0 | 0.00 | 1310736  |
|     | FLAMINGO FINANCE AND INVESTMENT COMPANY LIMITED          |    | 118102   | 0 | 0 | 118102   | 0.64  | 118102   | 0 | 118102   | 0.64  | 0 | 0.64  | 0    | 0.00 | 0 | 0.00 | 118102   |
|     | MARSHALL INVESTMENT AND TRADING COMPANY PRIVATE LIMITED* |    | 18276    | 0 | 0 | 18276    | 0.10  | 18276    | 0 | 18276    | 0.10  | 0 | 0.10  | 0    | 0.00 | 0 | 0.00 | 18276    |
|     | RAMANIYA FINANCE AND INVESTMENT COMPANY LIMITED          |    | 94006    | 0 | 0 | 94006    | 0.51  | 94006    | 0 | 94006    | 0.51  | 0 | 0.51  | 0    | 0.00 | 0 | 0.00 | 94006    |
|     | SANTON FINANCE AND INVESTMENT COMPANY LIMITED            |    | 101120   | 0 | 0 | 101120   | 0.54  | 101120   | 0 | 101120   | 0.54  | 0 | 0.54  | 0    | 0.00 | 0 | 0.00 | 101120   |
|     | MAHAVIR SPINNING MILLS PRIVATE LIMITED                   |    | 2129     | 0 | 0 | 2129     | 0.01  | 2129     | 0 | 2129     | 0.01  | 0 | 0.01  | 0    | 0.00 | 0 | 0.00 | 2129     |
|     | VARDHMAN   |    | 3080517  | 0 | 0 | 3080517  | 16.60 | 3080517  | 0 | 3080517  | 16.60 | 0 | 16.60 | 0    | 0.00 | 0 | 0.00 | 3080517  |

|     |  |           |                 |          |          |                 |              |                 |          |                 |              |          |              |          |             |          |             |                 |
|-----|--|-----------|-----------------|----------|----------|-----------------|--------------|-----------------|----------|-----------------|--------------|----------|--------------|----------|-------------|----------|-------------|-----------------|
|     | <b>HOLDINGS LIMITED</b>  |           |                 |          |          |                 |              |                 |          |                 |              |          |              |          |             |          |             |                 |
|     | VTL INVESTMENTS LIMITED  |           | 226800          | 0        | 0        | 226800          | 1.22         | 226800          | 0        | 226800          | 1.22         | 0        | 1.22         | 0        | 0.00        | 0        | 0.00        | 226800          |
|     | VARDHMAN TEXTILES LIMITED  |           | 5825000         | 0        | 0        | 5825000         | 31.39        | 5825000         | 0        | 5825000         | 31.39        | 0        | 31.39        | 0        | 0.00        | 0        | 0.00        | 5825000         |
|     | <b>LLP</b>   |           |                 |          |          |                 |              |                 |          |                 |              |          |              |          |             |          |             |                 |
|     | ADISHWAR ENTERPRISES LLP   |           | 2522655         | 0        | 0        | 2522655         | 13.60        | 2522655         | 0        | 2522655         | 13.60        | 0        | 13.60        | 0        | 0.00        | 0        | 0.00        | 2522655         |
|     | <b>TRUSTS</b>  |           |                 |          |          |                 |              |                 |          |                 |              |          |              |          |             |          |             |                 |
|     | MAHAVIR SHARES TRUST   |           | 319747          | 0        | 0        | 319747          | 1.72         | 319747          | 0        | 319747          | 1.72         | 0        | 1.72         | 0        | 0.00        | 0        | 0.00        | 319747          |
|     | <b>Sub-Total(A)(1)</b>   | <b>21</b> | <b>13911409</b> | <b>0</b> | <b>0</b> | <b>13911409</b> | <b>74.97</b> | <b>13911409</b> | <b>0</b> | <b>13911409</b> | <b>74.97</b> | <b>0</b> | <b>74.97</b> | <b>0</b> | <b>0.00</b> | <b>0</b> | <b>0.00</b> | <b>13911409</b> |
| (2) | Foreign  | 0         | 0               | 0        | 0        | 0               | 0.00         | 0               | 0        | 0               | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0               |
| (a) | Individuals (Non-Resident Individuals/ Foreign Individuals)                    | 0         | 0               | 0        | 0        | 0               | 0.00         | 0               | 0        | 0               | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0               |
| (b) | Government   | 0         | 0               | 0        | 0        | 0               | 0.00         | 0               | 0        | 0               | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0               |
| (c) | Institutions   | 0         | 0               | 0        | 0        | 0               | 0.00         | 0               | 0        | 0               | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0               |
| (d) | Foreign Portfolio Investor   | 0         | 0               | 0        | 0        | 0               | 0.00         | 0               | 0        | 0               | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0               |
|     | <b>Sub-Total (A)(2)</b>  | <b>0</b>  | <b>0</b>        | <b>0</b> | <b>0</b> | <b>0</b>        | <b>0.00</b>  | <b>0</b>        | <b>0</b> | <b>0</b>        | <b>0.00</b>  | <b>0</b> | <b>0.00</b>  | <b>0</b> | <b>0.00</b> | <b>0</b> | <b>0.00</b> | <b>0</b>        |
|     | <b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2) **</b> | <b>21</b> | <b>13911409</b> | <b>0</b> | <b>0</b> | <b>13911409</b> | <b>74.97</b> | <b>13911409</b> | <b>0</b> | <b>13911409</b> | <b>74.97</b> | <b>0</b> | <b>74.97</b> | <b>0</b> | <b>0.00</b> | <b>0</b> | <b>0.00</b> | <b>13911409</b> |

*Details of Shares which remain unclaimed may be given hear along with details such as number of shareholders, outstanding shares held in demat/unclaimed suspense account, voting rights which are frozen etc.*

*Note:*

- (1) *The term "Encumbrance" has the same meaning as assigned under regulation 28(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.*
- (2) *\* Hon'ble Punjab & Haryana High Court, Chandigarh, vide its order no. 229 of 2015 (O & M) dated 1<sup>st</sup> August, 2016 had sanctioned the scheme of amalgamation of Anklesh Investments Private Limited, Marshall Investment and Trading Company Private Limited, Plaza Trading Company Private Limited, Pradeep Mercantile Company Private Limited, Srestha Holdings Private Limited and Syracuse Investment and Trading Company Private Limited with Devakar Investment and Trading Company Private Limited. But the process of change in nomenclature of Demat account is still under process.*

\*\* Including shareholding of Director of the Promoters

| <b>Name</b>  | <b>Number of shares</b> | <b>% Shareholding</b> |
|--------------|-------------------------|-----------------------|
| S.P. Oswal   | 1,32,422                | 0.71                  |
| Shakun Oswal | 30,715                  | 0.17                  |
| Suchita Jain | 54,161                  | 0.29                  |
| Sachit Jain  | 8,001                   | 0.04                  |

**C. Statement showing holding of specified securities of public shareholders in our Company as of December 31, 2016:**

| Category & Name of the Shareholders (I)                         | No. of shareholder (II) | No. of fully paid up equity shares held (III) | Partly paid-up equity shares held (IV) | Nos. of shares underlying Depository Receipts (V) | Total nos. shares held (VI = III+IV+V) | Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2) (VII) | Number of Voting Rights held in each class of securities (VIII) |          |              | No. of Shares Underlying Outstanding convertible securities (including Warrants) (IX) | Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (X) | Number of Locked in shares (XI)     |          | Number of Shares pledged or otherwise encumbered (XII) |          | Number of equity shares held in dematerialized form (XIII) |   |              |
|---|-------------------------|---|--|---|--|--|---|----------|--------------|---|--|-------------------------------------|----------|--|----------|--|---|--------------|
|   |                         |   |  |   |  |  | No of Voting Rights   |          |              |   |  | Total as a % of Total Voting rights | No. (a)  | As a % of total Shares held (b)                        | No. (a)  |  | As a % of total Shares held (Not applicable)(b) |              |
|   |                         |   |  |   |  |  | Class X   | Class Y  | Total        |   |  |                                     |          |  |          |  |   |              |
| <b>(1) Institutions</b>   |                         |   |  |   |  |  |   |          |              |   |  |                                     |          |  |          |  |   |              |
| (a) Mutual Fund   | 11                      | 6716  | 0                                      | 0   | 6716                                   | 0.04   | 6716  | 0        | 6716         | 0.04  | 0  | 0.04                                | 0        | 0.00   | 0        | 0.00   |   | 2262         |
| (b) Venture Capital Funds                                       | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| (c) Alternate investment Funds                                  | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| (d) Foreign Venture Capital Investors                           | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| (e) Foreign Portfolio Investors                                 | 13                      | 15724   | 0                                      | 0   | 15724                                  | 0.08   | 15724   | 0        | 15724        | 0.08  | 0  | 0.08                                | 0        | 0.00   | 0        | 0.00   |   | 13986        |
| (f) Financial Institutions/ Banks                               | 18                      | 12224   | 0                                      | 0   | 12224                                  | 0.07   | 12224   | 0        | 12224        | 0.07  | 0  | 0.07                                | 0        | 0.00   | 0        | 0.00   |   | 197          |
| (g) Insurance Companies   | 3                       | 41722   | 0                                      | 0   | 41722                                  | 0.22   | 41722   | 0        | 41722        | 0.22  | 0  | 0.22                                | 0        | 0.00   | 0        | 0.00   |   | 41407        |
| (h) Provident Funds/ Pension Funds                              | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| (i) Any Others (specify)  | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| <b>Sub-Total(B)(1)</b>  | <b>45</b>               | <b>76386</b>                                  | <b>0</b>                               | <b>0</b>  | <b>76386</b>                           | <b>0.41</b>  | <b>76386</b>  | <b>0</b> | <b>76386</b> | <b>0.41</b>   | <b>0</b>   | <b>0.41</b>                         | <b>0</b> | <b>0.00</b>  | <b>0</b> | <b>0.00</b>  |   | <b>57852</b> |
| (2) Central Government/ State Government(s)/ President of India | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| <b>Sub-Total (B)(2)</b>   | <b>0</b>                | <b>0</b>                                      | <b>0</b>                               | <b>0</b>  | <b>0</b>                               | <b>0.00</b>  | <b>0</b>  | <b>0</b> | <b>0</b>     | <b>0.00</b>   | <b>0</b>   | <b>0.00</b>                         | <b>0</b> | <b>0.00</b>  | <b>0</b> | <b>0.00</b>  |   | <b>0</b>     |
| (3) Non-institutions  | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0        | 0            | 0.00  | 0  | 0.00                                | 0        | 0.00   | 0        | 0.00   |   | 0            |
| (a) Individuals -i. Individual shareholders holding             | 15829                   | 2070236                                       | 0                                      | 0   | 2070236                                | 11.16  | 2070236   | 0        | 2070236      | 11.16   | 0  | 11.16                               | 0        | 0.00   | 0        | 0.00   |   | 1858936      |

|     |   |              |                |          |          |                |              |                |          |                |              |          |              |          |             |          |             |                |
|-----|---|--------------|----------------|----------|----------|----------------|--------------|----------------|----------|----------------|--------------|----------|--------------|----------|-------------|----------|-------------|----------------|
|     | nominal share capital up to ₹ 2 lakhs.  |              |                |          |          |                |              |                |          |                |              |          |              |          |             |          |             |                |
| (a) | ii. Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs. | 25           | 1942794        | 0        | 0        | 1942794        | 10.47        | 1942794        | 0        | 1942794        | 10.47        | 0        | 10.47        | 0        | 0.00        | 0        | 0.00        | 1942794        |
| (b) | NBFCs registered with RBI   | 0            | 0              | 0        | 0        | 0              | 0.00         | 0              | 0        | 0              | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0              |
| (c) | Employee Trusts   | 0            | 0              | 0        | 0        | 0              | 0.00         | 0              | 0        | 0              | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0              |
| (d) | Overseas Depositories (holding DRs) (balancing figure)                            | 0            | 0              | 0        | 0        | 0              | 0.00         | 0              | 0        | 0              | 0.00         | 0        | 0.00         | 0        | 0.00        | 0        | 0.00        | 0              |
| (e) | Any Other (specify) # CORPORATE BODY  | 374          | 523826         | 0        | 0        | 523826         | 2.82         | 523826         | 0        | 523826         | 2.82         | 0        | 2.82         | 0        | 0.00        | 0        | 0.00        | 515235         |
| (e) | Any Other (specify) # NRI   | 109          | 27255          | 0        | 0        | 27255          | 0.15         | 27255          | 0        | 27255          | 0.15         | 0        | 0.15         | 0        | 0.00        | 0        | 0.00        | 26904          |
| (e) | Any Other (specify) # TRUST   | 1            | 3470           | 0        | 0        | 3470           | 0.02         | 3470           | 0        | 3470           | 0.02         | 0        | 0.02         | 0        | 0.00        | 0        | 0.00        | 3470           |
|     | <b>Sub-Total (B)(3)</b>   | <b>16338</b> | <b>4567581</b> | <b>0</b> | <b>0</b> | <b>4567581</b> | <b>24.62</b> | <b>4567581</b> | <b>0</b> | <b>4567581</b> | <b>24.62</b> | <b>0</b> | <b>24.62</b> | <b>0</b> | <b>0.00</b> | <b>0</b> | <b>0.00</b> | <b>4347339</b> |
|     | <b>Total Public Shareholding (B)= (B)(1)+(B)(2)+(B)(3) **</b>                     | <b>16383</b> | <b>4643967</b> | <b>0</b> | <b>0</b> | <b>4643967</b> | <b>25.03</b> | <b>4643967</b> | <b>0</b> | <b>4643967</b> | <b>25.03</b> | <b>0</b> | <b>25.03</b> | <b>0</b> | <b>0.00</b> | <b>0</b> | <b>0.00</b> | <b>4405191</b> |

*Details of the shareholders acting as persons in Concert including their Shareholding (No. and %):*

*Details of Shares which remain unclaimed may be given here along with details such as number of shareholders, outstanding shares held in demat/unclaimed suspense account, voting rights which are frozen etc.*

*Note:*

*The details of the Shareholders holding more than 1% of the share capital of the Company are disclosed on page 66.*

\*\* Including shareholding of Director of the Promoters

| <b>Name</b>          | <b>Number of shares</b> | <b>% Shareholding</b> |
|----------------------|-------------------------|-----------------------|
| Darshan Lal Sharma   | 663                     | 0.00                  |
| Rajeev Thapar        | 2                       | 0.00                  |
| Prafull Anubhai      | 710                     | 0.00                  |
| Chaman Lal Jain      | 1,655                   | 0.00                  |
| Sat Pal Kanwar       | 3,618                   | 0.02                  |
| Surinder Singh Bagai | 1,895                   | 0.01                  |

**D. Statement showing shareholding pattern of the non-promoter – non- public shareholders as on December 31, 2016:**

|     | Category & Name of the Shareholders (I)  | No. of shareholder (II) | No. of fully paid up equity shares held (III) | Partly paid-up equity shares held (IV) | Nos. of shares underlying Depository Receipts (V) | Total nos. shares held (VI = III+IV+V) | Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2) (VII) | Number of Voting Rights held in each class of securities (VIII) |         |                                     | No. of Shares Underlying Outstanding convertible securities (including Warrants) (IX) | Total Shareholding, as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital) (X) | Number of Locked in shares (XI) |                                 | Number of Shares pledged or otherwise encumbered(XII) |   | Number of equity shares held in dematerialized form (XIII) |       |
|-----|--|-------------------------|---|--|---|--|--|---|---------|-------------------------------------|---|---|---------------------------------|---------------------------------|---|---|--|-------|
|     |  |                         |   |  |   |  |  | No of Voting Rights   |         | Total as a % of Total Voting rights |   |   | No.                             | As a % of total Shares held (b) | No. (Not applicable)                                  | As a % of total Shares held (Not applicable)(b) |  |       |
|     |  |                         |   |  |   |  |  | Class X   | Class Y |                                     |   |   |                                 |                                 |   |   |  | Total |
| (1) | Custodian/D R Holder   | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0       | 0                                   | 0.00  | 0   | 0.00                            | 0                               | 0.00  | NA  | NA   | 0     |
| (2) | Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014) | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0       | 0                                   | 0.00  | 0   | 0.00                            | 0                               | 0.00  | NA  | NA   | 0     |
|     | Total Non-Promoter-Non-Public Shareholding (C)= (C)(1)+(C)(2)                        | 0                       | 0   | 0                                      | 0   | 0                                      | 0.00   | 0   | 0       | 0                                   | 0.00  | 0   | 0.00                            | 0                               | 0.00  | NA  | NA   | 0     |

4. List of Shareholders holding more than 1 % as on December 31, 2016:-

| Name of the Shareholders                    | Number of shares held | Shares as % of Total No. of Shares |
|---|-----------------------|------------------------------------|
| <b>(A) PROMOTER &amp; PROMOTER GROUP</b>    |                       |                                    |
| Adishwar Enterprises LLP                    | 25,22,655             | 13.60                              |
| Devakar Investment And Trading Co (Pvt) Ltd | 13,10,736             | 7.06                               |
| Vardhman Holdings Limited                   | 30,80,517             | 16.60                              |
| Vardhman Textiles Limited                   | 58,25,000             | 31.39                              |
| VTL Investments Limited                     | 2,26,800              | 1.22                               |
| Mahavir Shares Trust                        | 3,19,747              | 1.72                               |
| <b>TOTAL</b>                                | <b>1,32,85,455</b>    | <b>71.59</b>                       |
| <b>(B) PUBLIC SHAREHOLDING</b>              |                       |                                    |
| Non-institutions                            |                       |                                    |
| Individual shareholders: Resident Ordinary  |                       |                                    |
| Sanjay Devkinandan Gupta                    | 5,20,000              | 2.80                               |
| T Udayaraj .                                | 3,50,000              | 1.89                               |
| <b>TOTAL</b>                                | <b>8,70,000</b>       | <b>4.69</b>                        |
| <b>TOTAL (A+B)</b>                          | <b>1,41,55,455</b>    | <b>6.28</b>                        |

5. Top Ten Shareholders

a) The top ten shareholders of our Company and the number of Equity Shares held by them as on 03.02.2017:

| Sr. No. | Shareholder  | Total No. of Equity Shares held | %    |
|---------|--|---------------------------------|------|
| 1       | Sanjay Devkinandan Gupta                               | 5,20,000                        | 2.80 |
| 2       | Anil Kumar Goel  | 3,50,000                        | 1.89 |
| 3       | Vandana Sehgal   | 1,34,499                        | 0.72 |
| 4       | Seema Goel   | 1,00,000                        | 0.54 |
| 5       | N Chandrasekaran                                       | 83,934                          | 0.45 |
| 6       | Vivek Mundra   | 56,543                          | 0.30 |
| 7       | Pardeep Gupta  | 54,377                          | 0.29 |
| 8       | Prabhudas Lilladher Financial Services Private Limited | 50,598                          | 0.27 |
| 9       | Master Capital Services Limited                        | 50,349                          | 0.27 |
| 10      | Mona Ketan Shah  | 48,050                          | 0.26 |

b) The top ten shareholders of our Company and the number of Equity Shares held by them as on 20.01.2017:

| Sr. No. | Shareholder  | Total No. of Equity Shares held | %    |
|---------|--|---------------------------------|------|
| 1       | Sanjay Devkinandan Gupta                               | 5,20,000                        | 2.80 |
| 2       | Anil Kumar Goel  | 3,50,000                        | 1.89 |
| 3       | Vandana Sehgal   | 1,47,946                        | 0.80 |
| 4       | Seema Goel   | 1,00,000                        | 0.54 |
| 5       | N Chandrasekaran                                       | 83,934                          | 0.45 |
| 6       | Vivek Mundra   | 56,543                          | 0.30 |
| 7       | Pardeep Gupta  | 54,377                          | 0.29 |
| 8       | Prabhudas Lilladher Financial Services Private Limited | 50,598                          | 0.27 |
| 9       | Master Capital Services Limited                        | 50,969                          | 0.27 |
| 10      | Mona Ketan Shah  | 48,050                          | 0.26 |

- c) Our top ten shareholders and the number of Equity Shares held by them two years prior to the date this Offer Document: (30.01.2015)

| Sr. No. | Shareholder                           | Total No. of Equity Shares held | %    |
|---------|---------------------------------------|---------------------------------|------|
| 1       | Sanjay Devkinandan Gupta              | 7,00,000                        | 3.77 |
| 2       | T Udayraj                             | 2,00,000                        | 1.08 |
| 3       | Anil Kumar Goel                       | 1,66,358                        | 0.90 |
| 4       | Suketu Bhanuray Sanghvi               | 1,61,625                        | 0.87 |
| 5       | 4A Financial Securities Limited       | 1,45,323                        | 0.78 |
| 6       | Seema Goel                            | 1,00,000                        | 0.54 |
| 7       | Sumpoorna Portfolio Limited           | 96,326                          | 0.52 |
| 8       | N Chandrasekaran                      | 83,934                          | 0.45 |
| 9       | UTI Transportation and Logistics Fund | 82,564                          | 0.44 |
| 10      | Vivek Mundra                          | 56,543                          | 0.30 |

6. The Shareholders approved Employee Stock Option Plan 2016 under SEBI (Share Based Employee Benefits) Regulation, 2014, by way of a special resolution at their Annual General Meeting held on September 28, 2016, for grant to eligible employees up to 3,71,108 equity stock option.

- The aggregate number of shares that may be issued against the Plan under the First Grant is 2,10,000 shares. The remaining shares will be issued in the subsequent Grant(s). One option entitles the holder to apply for one equity share of the company, subject to corporate action.
- There shall be a minimum period of two years between the grant of options and vesting of options. For the First Grant, the exercise price shall be ₹ 65 per share.
- In case of a Rights Issue or a Bonus Issue prior to exercise of options, then at the time of exercise of the options, the employee shall be entitled to such number of shares as if he was a shareholder at the time of Rights Issue/Bonus Issue.
- For the First Grant, the vesting schedule shall be:

| Date of vesting                      | Vesting Ratio | Number of options vested |
|--------------------------------------|---------------|--------------------------|
| End of year 2 from the date of grant | 25%           | 52,500                   |
| End of year 3 from the date of grant | 25%           | 52,500                   |
| End of year 4 from the date of grant | 25%           | 52,500                   |
| End of year 5 from the date of grant | 25%           | 52,500                   |
| <b>Total</b>                         | <b>100%</b>   | <b>2,10,000</b>          |

| Particulars   | Details   |
|---|---|
| Options granted   | 2,10,000 options granted as on November 12, 2016  |
| The pricing formula   | The Exercise price of ₹ 65 per option represents 65.59% of the closing price of the Equity shares on NSE on 11.11.2016 (i.e. the day preceding the date of meeting of Nomination & Remuneration Committee in which First Grant of 2,10,000 options were made) |
| Exercise price of options (as of the date of grant of options)  | ₹ 65 per option   |
| Total options vested  | 2,10,000  |
| Options exercised   | Nil. As options will start vesting from 12.11.2018  |
| Total number of Equity Shares that would arise as a result of full exercise of options already granted (net of cancelled options) | 2,10,000 equity shares  |
| Options forfeited/lapsed/cancelled  | Nil. Since the options will be vested with employees on 12.11.2018, any option forfeited/ lapsed/ cancelled will be ascertained after the vesting of options only.  |
| Variation in terms of options   | -   |
| Money realised by exercise of options**   | Nil. Since the options will be vested with employees on   |

|   |   |                        |                          |
|---|---|------------------------|--------------------------|
|   | 12.11.2018, the money realised by exercise of options will be ascertained after the exercise of options only.   |                        |                          |
| Options outstanding (in force)  | -   |                        |                          |
| Employee-wise details of options granted to:  |   |                        |                          |
| (i) Managerial Personnel  | Name of Managerial Personnel  | No. of options granted | No. of options exercised |
|   | 1. Mr. Subhasis Dey   | 30,000                 | -                        |
|   | 2. Mr. Deepinder Singh Kalra  | 25,000                 | -                        |
|   | 3. Mr. M.K. Srivastav   | 25,000                 | -                        |
|   | 4. Mr. Jagdish Sharma   | 20,000                 | -                        |
|   | 5. Mr. Mukesh Gupta   | 20,000                 | -                        |
|   | 6. Mr. Amit Chopra  | 15,000                 | -                        |
|   | 7. Mr. Davinder Singh   | 15,000                 | -                        |
|   | 8. Mr. Sanjeev Singla   | 15,000                 | -                        |
|   | 9. Mr. S.K. Tuli  | 15,000                 | -                        |
|   | 10. Mr. Devinder Singh  | 10,000                 | -                        |
|   | 11. Mr. Rajesh Soni   | 10,000                 | -                        |
|   | 12. Mr. S.C. Sharma   | 10,000                 | -                        |
| (ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year  | Nil   |                        |                          |
| (iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant   | Nil   |                        |                          |
| Fully-diluted EPS pursuant to issue of Equity Shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'   | Since the option have still not been exercised by the employees the diluted EPS pursuant to issue of Equity Shares on exercise of options cannot be calculated at this point of time. |                        |                          |
| Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if our Company had used fair value of options and impact of this difference on profits and EPS of our Company for Fiscals 2014, 2015 and 2016         | N.A.  |                        |                          |
| Weighted-average exercise prices and weighted-average fair values of options will be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock for Fiscals 2014, 2015 and 2016   | N.A.  |                        |                          |
| Description of the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option | Our Company has adopted the Fair Valuation method to estimate the fair value of the options   |                        |                          |
| Vesting schedule  | Time Period   | Options Vested         |                          |
|   | End of year 2 from the date of grant  | 25%                    |                          |
|   | End of year 3 from the date of grant  | 25%                    |                          |
|   | End of year 4 from the date of grant  | 25%                    |                          |
|   | End of year 5 from the  | 25%                    |                          |

|   |   |  |
|---|---|--|
|   | date of grant                                   |  |
| Lock-in   | No lock-in period.                              |  |
| Impact on profits and EPS of the last three years if our Company had followed the accounting policies specified in Regulation 15 of the SEBI ESOP Regulations in respect of options granted in the last three years   | N.A.  |  |
| Aggregate number of Equity Shares intended to be sold by the holders of Equity Shares allotted on exercise of options granted under the VSSL ESOP within three months after the listing of Equity Shares pursuant to the Issue  | N.A. since the options are still not exercised. |  |
| Quantum of Equity Shares arising out of or allotted under the VSSL ESOP intended to be sold within three months after the date of listing, by Directors, senior managerial personnel and employees having Equity Shares issued under the VSSL ESOS amounting to more than 1% of the issued capital of our Company | N.A. since the options are still not exercised. |  |

7. Other than the options granted under the VSSL ESOP, there are no outstanding warrants, options, convertible loans, debentures or any other securities convertible at a later date into Equity Shares as on the date of this Draft Letter of Offer, which would entitle the holders to acquire further Equity Shares.
8. Our Promoter and Promoter Group have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, in compliance with Regulation 10(4) of Takeover Regulations.
9. There are no financing arrangements whereby our Promoter/ Promoter Group, our Group Companies, our Directors and their relatives have financed the purchase by any other person of the Equity Shares of our Company during the period of 6 months immediately preceding the date of filing of the Letter of Offer with SEBI. Our Company, however, has Loan Scheme for Employees under which the Employees can avail loan for subscription under the Issue.
10. Our Promoter and Promoter Group have not acquired any Equity Shares in the one year immediately preceding the date of this Draft Letter of Offer.
11. The aggregate number of specified securities purchased or sold by the or by the directors of our company and their immediate relatives within six months immediately preceding the date of filing of draft offer document with the Board are as follows:

| Name of Entity | No. of Shares Purchased                  | No. of Shares Sold | Sale Price (₹) & relevant dates* | Minimum Price (₹) | Maximum Price (₹) |
|----------------|--|--------------------|----------------------------------|-------------------|-------------------|
| Mr. R.K. Jain  | 3,752<br>(From 14.09.2016 to 23.09.2016) | Nil                | Nil                              | 75                | 76.42             |
| R.K. Jain HUF  | 8,200<br>(From 30.08.2016 to 22.09.2016) | Nil                | Nil                              | 76.62             | 82.44             |

\*\* The Average net rate per equity share of Mr. R.K. Jain is ₹ 76.14 and R.K. Jain HUF is 80.02 (net of brokerage, stamp duty, STT, service tax) – Brokerage is 0.25%

12. Our Company has not raised any bridge loans that shall be payable from issue proceeds.
13. Neither our Company, nor the Directors or the Promoters, or the Lead Manager have entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company.
14. The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on the date of this Letter of Offer.

15. We do not have any proposal or intention to alter the equity capital structure of our Company by way of split/ consolidation of the denomination of the Equity Shares, or the issue of securities on a preferential basis or issue of bonus or rights or further public issue of securities or qualified institutions placement within a period of six (6) months from the date of opening of the Issue. However, if business needs of the Company so require, we may alter the capital structure of the Company by way of split / consolidation of the denomination of the Equity Shares / issue of Equity Shares on a preferential basis or issue of bonus or rights or public or preferential issue of Equity Shares or any other securities during the period of six (6) months from the date of opening of the Issue or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required.
16. Except as disclosed in the section titled “Our Management” on page 114 of the Draft Letter of Offer, none of our Directors or Key Managerial Personnel hold any Equity Shares.
17. Our Company has not revalued its fixed assets since incorporation.
18. Our Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
19. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. As of December 31, 2016, the total number of holders of Equity Shares is 16,404.
21. We have not made any issue of equity shares during the preceding one year from the date of filing of this Letter of Offer
22. As on the date of the draft Letter of Offer, the lead manager and its associates hold 512 Equity Shares of our Company.
23. None of the Equity Shares of our Company are locked in as of the date of this Draft Letter of Offer.
24. None of the Equity Shares held by the Promoter and Promoter Group are pledged or otherwise encumbered as on date of this Draft Letter of Offer.
25. The present Issue being a rights issue, as per regulation 34(c) of the ICDR Regulations, the requirements of promoters’ contribution and lock-in are not applicable.

## SECTION IV – PARTICULARS OF THE ISSUE

### OBJECTS OF THE ISSUE

We intend to utilize the gross proceeds raised through the Issue (the “**Issue Proceeds**”) after deducting the Issue related expenses (“**Net Proceeds**”) for the following Objects:

1. Reduction in Working Capital borrowing and funding of enhanced Working Capital requirements;
2. Repayment of ECB (External Commercial Borrowing); and
3. General Corporate Purposes.

(collectively, referred to herein as the “**Objects**”)

The objects clause of our Memorandum of Association enables us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The activities which have been carried out until now by our Company are valid in terms of the objects clause of our Memorandum. Further, the borrowings availed by our Company, some of which may be repaid, from the Issue Proceeds, are for activities carried out by us as enabled by the objects clause of our Memorandum of Association.

The fund requirement and deployment are based on internal management estimates and have not been appraised. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or changes in other financial condition, business or strategy.

We operate in highly competitive and dynamic market conditions and may have to revise our estimates from time to time on account of external circumstances or costs in our financial condition, business or strategy. Consequently, our fund requirements may also change. Any such change in our plans may require rescheduling of our expenditure programs and increasing or decreasing expenditure for a particular object *vis-à-vis* the utilization of Issue Proceeds. Until our Company realizes the Issue Proceeds, it proposes to utilize its internal accruals and/or raise additional debt and / or receivables from customers in the form of advances, to meet the proposed expenditure in respect of the Objects.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purpose for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt, as required. In case of a shortfall in the Issue Proceeds, we may explore a range of options including utilizing our internal accruals, and / or seeking additional debt from existing and other lenders. In the event that the estimated utilization out of the Issue Proceeds in a Fiscal is not completely met, the same shall be utilized in the next Fiscal. For risks relating to our Objects please see the risk factor: “*The requirement of funds in relation to the Objects of the Issue has not been appraised and our budgeted expenditure program may change*” in the section titled “*Risk Factors*” on page 12 of this DLOF.

We intend to utilise the Net Proceeds for financing the objects as set forth below:

| Expenditure Items  | Amount (₹ In Lakhs) |
|--|---------------------|
| Reduction in Working Capital borrowings and funding of enhanced working capital requirements | 2,000.00            |
| Repayment of ECB (External Commercial Borrowing)   | 3,025.00            |
| General Corporate Purposes*  | [..]                |
| The Issue expenses**   | [..]                |
| <b>Total</b>   | <b>6,785.00</b>     |

#### Means of finance

| Expenditure Items     | Amount (₹ In Lakhs) |
|-----------------------|---------------------|
| Proceeds of the Issue | 6,785.00            |

\* The amount shall not exceed 25% of the Issue Proceeds from the Issue

\*\* To be finalized. Issue expenses incurred before the receipt of Issue Proceeds have been/shall be met from

*Internal Accruals, to be reimbursed later.*

The entire requirements of the Objects detailed above are intended to be funded from the Net Proceeds. Accordingly, our Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Further, our promoters hold 74.97% of the equity capital in the Company and would be entitled to 74.97% of our net issue. Our promoters have undertaken to subscribe to the rights entitlement in full.

## Details of the Objects of the Rights Issue

### 1. Reduction in Working Capital borrowing and funding of enhanced Working Capital requirements

Our business is working capital intensive. We finance our working capital requirement from various banks/financial institutions, internal accruals and other sources.

As on March 31, 2015, March 31, 2016 and September 30, 2016, the net working capital consisted of ₹23,927 Lakhs, ₹ 21,007 Lakhs and ₹ 19,186 Lakhs respectively, based on the financial statements.

Company has recently completed plant up-gradation and line balancing project within the budgeted capital cost of ₹ 3,690 Lakhs due to which the melting capacity has increased from 1,25,000 MTPA to 1,60,000 MTPA of special alloy steel. Considering the existing and future growth, the total working capital needs of our Company, as assessed based on the internal workings of our Company is expected to reach ₹ 25,918 Lakhs for FY2017-18. In order to reduce our interest cost of working capital, we intend to meet our working capital requirements to the extent of ₹ 2,000 Lakhs from the Net Proceeds of this Issue and the balance will be met from banks, internal accruals and other borrowings at an appropriate time as per the requirement.

Till such time the Company requires enhanced working capital, we intend to reduce our working capital borrowings.

Our Company's existing and estimated working capital requirements and funding is as follows:

|            |                                     | <i>(₹ in Lakhs Except No. of Days)</i> |      |                  |      |                  |      |
|------------|-------------------------------------|--|------|------------------|------|------------------|------|
| Sr. No.    | Particulars                         | 31-3-2016                              |      | 31-3-2017        |      | 31-3-2018        |      |
|            |                                     | (Audited)                              |      | (Estimated)      |      | (Estimated)      |      |
|            |                                     | Amount                                 | Days | Amount           | Days | Amount           | Days |
| <b>I</b>   | <b>Current Assets</b>               |  |      |                  |      |                  |      |
|            | <b>Inventory</b>                    |  |      |                  |      |                  |      |
|            | Raw Material (Including Spares)     | 2,776.77                               | 26   | 3,044.25         | 25   | 3,317.66         | 25   |
|            | Stock in progress                   | 0.00                                   |      | 0.00             |      | 0.00             |      |
|            | Finished Goods                      | 6,130.92                               | 34   | 6,845.75         | 35   | 7,372.34         | 35   |
|            | Goods in Transit                    | 1,782.00                               | 17   | 1,800.00         | 15   | 2,000.00         | 15   |
|            | Trade Receivable                    | 19,416.94                              | 97   | 19,417.00        | 90   | 21,017.00        | 90   |
|            | Cash & Bank Balances                | 379.06                                 |      | 384.50           |      | 341.59           |      |
|            | Short term Loan & Advances          | 2,928.54                               |      | 2,926.00         |      | 2,926.00         |      |
|            | <b>Total (A)</b>                    | <b>33,414.23</b>                       |      | <b>34,417.50</b> |      | <b>36,974.59</b> |      |
| <b>II</b>  | <b>Current Liabilities</b>          |  |      |                  |      |                  |      |
|            | Trade Payables                      | 4,099.68                               | 39   | 4,899.70         | 40   | 5,299.70         | 40   |
|            | Other Current Liabilities           | 8,307.73                               |      | 10,575.72        |      | 5,757.00         |      |
|            | Short Term Provisions               |  |      |                  |      |                  |      |
|            | <b>Total (B)</b>                    | <b>12,407.41</b>                       |      | <b>15,475.42</b> |      | <b>11,056.70</b> |      |
| <b>III</b> | <b>Net Working Capital (A-B)</b>    | <b>21,006.82</b>                       |      | <b>18,942.07</b> |      | <b>25,917.89</b> |      |
| <b>IV</b>  | <b>Funding Pattern</b>              |  |      |                  |      |                  |      |
|            | Bank Borrowings                     | 13,856.00                              |      | 14,156.00        |      | 14,956.00        |      |
|            | Internal Accruals & Unsecured Loans | 7,150.82                               |      | 4,786.07         |      | 8,961.89         |      |
|            | <b>Rights Issue Proceeds</b>        | <b>0.00</b>                            |      | <b>0.00</b>      |      | <b>2,000.00</b>  |      |

Our Debtors cycle was of about 97 days and 89 days in Financial Year 2015-16 and Financial Year 2014-15 respectively. We expect our debtors cycle to be 90 days in Financial Year 2016-17 and Financial Year 2017-18. Similarly, we have estimated Trade Payables to be 40 days in Financial Year 2016-17 and Financial Year 2017-18 and expect our Inventory holding to be at same levels as was in Financial Year 2015-16.

**Justification for “Holding Period” levels:**

|                    |  |
|--------------------|--|
| <b>Inventories</b> | We believe that maintaining a strong inventory level gives a competitive edge, as the Company is able to supply its products within efficient timeline. Considering our production cycle and required level of inventory, we are assuming that Inventory holding period would be in similar lines to that of FY 2015-16. |
| <b>Debtors</b>     | Company provides credit to its customers based on trade relations and vintage of their association with the Company. The Company strives to continue having disciplined debtor management and strong management control policies in place.   |
| <b>Creditors</b>   | The Company plans to avail optimal level of credit from its suppliers. But to ensure on time supply of materials and services at competitive price, we have estimated average credit period for FY 2016-17 of 40 days only as compared to 39 days in FY 2015-16.   |

Existing working capital limits aggregating to ₹ 25,000 lakhs (Fund based ₹ 15,000 lakhs and Non-fund based ₹ 10,000 lakhs), sanctioned/availed from Banks is as per page 232. The outstanding as of September 30, 2016 was:

- Fund based CC limit utilization: ₹ (817.83) lakhs;
- Fund based Buyers Credit utilization: ₹ 842.22 lakhs;
- Fund based Commercial Papers utilization: ₹ 12,322.06 lakhs;
- Non Fund Based Utilisation- Letters of Credit: ₹ 3,448.54 lakhs;
- Non Fund Based Utilisation- Acceptances: ₹ 1,611.86 lakhs; and
- Non Fund Based Utilisation- Shipping & Financial Guarantees: ₹ 6.13 lakhs.

To reduce the cost of working capital, our Company has been raising short-term funds by placing commercial paper (CP) against the sanctioned limits by the banks in the past few years. The CRISIL rating for short-term borrowing is CRISIL A1+.

**2. Repayment of ECB (External Commercial Borrowing)**

Our Company had availed ECB (External Commercial Borrowing) of 16.66 M USD from Axis Bank in Oct. 2011 for part funding the Rolling Mill expansion at Ludhiana facility and setting up of a warehouse at plot at Pathredi Gurgaon. Repayment of ECB was to be made in quarterly installments starting March 16. The installments of \$2.0 million & \$2.0 million is due to be paid in March 2017 and June 2017 respectively & interest amount of approx. \$0.14 million and \$0.12 million due in March 2017 and June 2017 respectively, aggregating to \$4.26 million ( ₹ 3,077.52 lakhs; Installments calculated at forward cover rate of 1 USD = ₹ 72.5225 (average), Interest calculated at 1 USD = ₹ 67.93 as on December 31, 2016), out of which the Company intends to finance ₹ 3,025 lakhs through Net Issue proceeds.

The above mentioned installment of ECB and interest due in March 2017 shall be paid from internal accruals and reimbursed from the Net Issue proceeds later.

**3. General Corporate Purposes**

Our Board, will have flexibility in applying the balance amount, aggregating to ₹ [●] lakhs, towards general corporate purposes, subject to such utilization not exceeding 25% of the Issue, including, meeting our working capital requirements, routine capital expenditure, repayment of short-term borrowings, funding our growth opportunities and strategic initiatives, meeting expenses incurred in the ordinary course of business including salaries and wages, rent, administration expenses, insurance related expenses, repairs and maintenance, and the payment of taxes and duties, and meeting of exigencies which our Company may face in course of business.

#### 4. Issue Related Expenses

The Issue related expenses include, among others, fees to various intermediaries, printing and distribution expenses, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

| Particulars  | Approximate Amount (₹ in lakhs) | As percentage of total expenses | As a percentage of Issue size |
|--|---------------------------------|---------------------------------|-------------------------------|
| Fees of the Intermediaries   | [•]                             | [•]                             | [•]                           |
| Advertising, Printing and stationery expenses (including courier and distribution charges)   | [•]                             | [•]                             | [•]                           |
| Statutory and others miscellaneous expenses (fees to regulators, listing fees, depositories' fees, auditor fees, out of pocket expenses, etc.) | [•]                             | [•]                             | [•]                           |
| <b>Total</b>   | <b>[•]</b>                      | <b>[•]</b>                      | <b>[•]</b>                    |

#### Schedule of Implementation and Deployment of Funds

Our Company proposes to utilize the Issue proceeds towards the Objects mentioned above as under:

| Particulars   | Month/ Year of Commencement | Month/ Year of Completion |
|---|-----------------------------|---------------------------|
| Reduction in Working Capital borrowing and funding of enhanced Working Capital requirements | April 2017                  | June 2017                 |
| Repayment of ECB (External Commercial Borrowings) Borrowing)                                | April 2017                  | June 2017                 |
| General Corporate Purposes  | April 2017                  | July 2017                 |
| The Issue expenses  | December 2016               | May 2017                  |

#### Year wise break-up of proceeds to be used

We intend to utilize the entire proceeds of the issue as under:

| Particulars  | Amount (₹ In Lakhs) |            |                 |
|--|---------------------|------------|-----------------|
|  | FY 2016-17          | FY 2017-18 | Total           |
| Reduction in Working Capital borrowing/ funding of enhanced Working Capital requirements | -                   | 2,000.00   | 2,000.00        |
| Repayment of ECB (External Commercial Borrowings)  | -                   | 3,025.00   | 3,025.00        |
| General Corporate Purposes   | [•]                 | [•]        | [•]             |
| The Issue Expenses   | [•]                 | [•]        | [•]             |
| <b>Total</b>   | <b>[•]</b>          | <b>[•]</b> | <b>6,785.00</b> |

#### Funds deployed till date

Our company has spent an amount of ₹ 6 lakhs (approximately) till December 31, 2016 only towards Issue expenses, through Internal Accruals, which shall be reimbursed from the Issue Proceeds.

#### Interim use of funds

The management of our Company, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Issue Proceeds. Pending utilization of the Net Proceeds for the purposes described above, our Company intends to temporarily deposit funds in the Scheduled Commercial Banks included in the Second Schedule of Reserve Bank of India Act, 1934.

#### Appraisal

The Objects of the Issue have not been appraised by any bank or financial institution.

### **Bridge Financing Facilities**

We have not availed any bridge financing facilities for financing the Objects of the Issue.

### **Monitoring of the utilization of funds**

Since the Issue size does not exceed ₹ 50,000 Lakhs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required. Our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Issue Proceeds. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Letter of Offer and place it before the Audit Committee. Such disclosure shall be made only until such time that the Issue proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with clause 32 of Listing Obligations And Disclosure Requirements (LODR), our Company shall furnish to the Stock Exchange on a quarterly basis, a statement including material deviations if any, in the utilisation of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.

### **Variation in Objects**

In accordance with section 27 of the Companies Act, 2013, read with Rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, our Company shall not vary the objects of the Issue without our Company being authorized to do so by the shareholders by way of a special resolution through a postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution (“**Postal Ballot Notice**”) shall specify the prescribed details as required under the Companies Act, 2013. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in the vernacular language of the jurisdiction where the registered office of our Company is situated. Our Promoters have undertaken to provide an exit opportunity to such shareholders, who do not agree to the above stated proposal at a price as may be prescribed by SEBI, in this regard.

### **Other confirmations**

No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Promoter Group, our Directors, key managerial personnel or companies promoted by our Promoters.

## BASIS OF ISSUE PRICE

The Issue Price has been determined by our Company, in consultation with the Lead Manager, on the basis of market conditions and on the basis of the following quantitative and qualitative factors. The information presented in this section is for the Fiscal 2014, 2015 and 2016 is derived from our Company's restated financial information, prepared in accordance with Indian GAAP and the Companies Act and in accordance with the SEBI Regulations. You should read the following summary with the sections titled "Risk Factors", "Business Overview" and "Financial Information" on pages 12, 88 and 165, respectively, of this Letter of Offer, to get a more informed view before making an investment decision. The trading price of the Equity Shares could decline and you may lose all or part of your investments

### Quantitative Factors

#### Basic and Diluted Earnings per Share (EPS)

| Period                  | Basic and Diluted EPS (₹) | Weight |
|-------------------------|---------------------------|--------|
| Fiscal 2014             | (6.44)                    | 1      |
| Fiscal 2015             | (7.97)                    | 2      |
| Fiscal 2016             | 2.64                      | 3      |
| <b>Weighted Average</b> | <b>Negative</b>           |        |

#### Note:

- The figures disclosed above are based on the financial information statement as disclosed in this letter of offer.
- EPS calculation have been done in accordance with Accounting Standard 20- "Earning per share" issued by the Institute of Chartered Accountants of India
- The above statement should be read with Significant Accounting Policies and the Notes to the restated financial information as appearing in Section "Financial Information" on page 165 of this Letter of Offer.

#### Price Earnings Ratio (P/E) in relation to the Issue price

P/E ratio based on the basic and diluted EPS for the Fiscal Year 2016 at the Issue Price ₹50 is 19.91

#### Return on Net Worth (RoNW)

| Period                  | RoNW (%)        | Weight |
|-------------------------|-----------------|--------|
| Fiscal 2014             | (6.43)          | 1      |
| Fiscal 2015             | (8.69)          | 2      |
| Fiscal 2016             | 2.80            | 3      |
| <b>Weighted Average</b> | <b>Negative</b> |        |

**Minimum Return on increased Net Worth (assuming full Issue subscription) required to maintain Pre-Issue EPS for Fiscal 2016 at the Issue Price on the basic and diluted EPS – 3.49%**

#### Net Asset Value

|   |                          |
|---|--------------------------|
| Period  | ₹ 94.28                  |
| Fiscal 2016   |                          |
| Issue Price   | ₹ 50 per Equity Share    |
| NAV after the Issue<br>(assuming full Issue subscription) | ₹ 75.58 per Equity Share |

## Industry P/E

Our Company is producer of Special and Alloy Steels which caters to diverse requirements of hot rolled bars for Engineering, Automotive, Tractor, Bearing and Allied Industries. Since the Steel bars contribute to around 99% of our revenue, we have included in the comparison below companies belonging to the ‘Steel Sector’ which are similar in size.

### Comparison of Accounting Ratios with Industry Peers

| Name of the company              | Face Value<br>(₹ Per share) | EPS<br>(₹) | P/E Ratio<br>^ | RoNW<br>(%) | NAV<br>(₹ Per share) |
|----------------------------------|-----------------------------|------------|----------------|-------------|----------------------|
| Vardhman Special Steels Ltd.*    | 10                          | 2.64       | 19.91          | 2.80        | 94.28                |
| <b>Peer Group**</b>              |                             |            |                |             |                      |
| <b>Iron &amp; Steel Industry</b> |                             |            |                |             |                      |
| Kalyani Steels                   | 5                           | 25.99      | 6.48           | 19.75       | 134.92               |
| India Steel Works Ltd            | 1                           | 0.10       | 17.87          | 2.37        | 4.34                 |
| Usha Martin Ltd.                 | 1                           | (13.62)    | (0.84)         | (27.70)     | 42.60                |
| Modern Steels Ltd.               | 10                          | (24.40)    | (0.25)         | (532.43)    | (7.62)               |
| Adhunik Metaliks Ltd             | 10                          | (37.54)    | (0.30)         | (136.08)    | 58.30                |

Industry average P/E of selected Industry peers is 7.38.

\*As the Financial information for F.Y.2015-16 as disclosed in the letter of offer

\*\*Source: Annual Report and Results for F.Y. 2015-16 available on BSE Website

^ P/E Ratio is based on the market price as on 31 March 2016.

The issue price of ₹ 50 per share is 5 times the face value of ₹10/- per equity share. The issue price is less than the volume weighted average price of 60 trading days of ₹ 97.61 on BSE as calculated on February 03, 2017. Further, as on February 03, 2017 the 52 week high & low prices of our Equity Shares on BSE was ₹ 131.00 & ₹ 42.50 respectively. Thus, considering the above factors, the Issue Price is justified.

**STATEMENT OF TAX BENEFITS**

**STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA**

To,

**The Board of Directors**

**Vardhman Special Steels Limited**

Vardhman Premises, Chandigarh Road,

Ludhiana-141010,

Punjab, India

Dear Sirs,

**Sub: Statement of Special tax benefit ('the Statement') available to Vardhman Special Steels Limited and its shareholders prepare in accordance with the requirements under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended (the 'Regulations').**

We hereby report that the enclosed Annexure prepared by Vardhman Special Steels Limited (the 'Company'), states the special tax benefits available to the Company under the Income-tax Act, 1961 presently in force in India and to the shareholders of the Company under the Income-tax Act, 1961 (as amended). Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the special tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive and preparation of the contents stated is responsibility of the Company's management. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications arising out of their participation in the proposed issue.

We do not express any opinion or provide any assurance as to whether:

- The company or its shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/would be met with ;
- The revenue authorities / courts will concur with the views expressed herein.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and current tax laws in force in India.

No assurance is given that the revenue authorities/Courts will concur with the views expressed herein. Our views are based on existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume any responsibility to update the views consequent to such changes.

For **SS Kothari Mehta & Company**

Chartered Accountants

Firm Reg. No. :022150N

**Harish Gupta**

Partner

Membership No : 098336

**Place:** New Delhi

**Date:** January 23, 2017

## ANNEXURE TO THE STATEMENT OF TAX BENEFITS

### A. SPECIAL TAX BENEFITS

#### **Special Tax Benefits available to the Company**

The Company has applied for availing the benefits under the Industrial Policy of the Government of Punjab FIIP (R) – 2013 towards our capital investments for expansion in the Rolling Mill, Melting Shop, and Bright Bar Shop. The benefits available under the said Industrial Policy are as under:

- (i) Exemption of 50% of the Electricity Duty. The present rate of electricity duty is 8%. So the Company will get exemption for 4% of the electricity duty.
- (ii) Exemption of 35% of VAT payable and 37.50% of CST payable.
- (iii) Exemption of 50% of the Property Tax payable to the Municipal Corporation. Presently, the Company is paying ₹ 5.29 lakhs p.a.

All the above benefits will be available to the Company for 8 years from the date of approval and also the aggregate of all the above benefits will be maximum of total investment made by the company under the expansion projects duly approved under the scheme.

### B. GENERAL TAX BENEFITS

#### **Under the Income Tax Act, 1961 ("the Act")**

#### *General Tax Benefits Available to the Company*

1. Subject to the fulfilment of conditions prescribed under the sections mentioned hereunder, the Company shall be eligible, inter-alia, for the following specified exemptions/deductions/benefits in respect of its total income:
  - a) As per the provisions of Section 10(34) read with Section 115-O of the Act, dividend (both interim and final), if any, received by the Company on its investments in shares of another domestic company is exempt from tax. However, as per Section 94(7) of the Act, losses arising from purchase and sale of securities, where such securities are bought or acquired within a period of three months prior to the record date and such securities are sold or transferred within three months from the record date, will be disallowed to the extent of the amount of dividend claimed as exempt.
  - b) Any amount declared, distributed or paid by the Company to shareholders by way of dividends on or after 1 April 2003, whether out of current or accumulated profits, shall be charged to distribution tax at the rate of 15 percent (plus applicable surcharge and cess) under Section 115-O of the Act, payable by the distributing company.
  - c) In view of the amendment brought in by Finance (No.2) Act, 2014, for the purpose of determining the tax on distributed profits payable by the distributing company in accordance with Section 115-O of the Act, the amount of dividends needs to be increased to such amount as would, after reduction of tax on such increased amount at the specified rate, be equal to the net distributed profits.
  - d) Any income received from distribution made by any mutual fund specified under Section 10(23D) of the Act or from the administrator of the specified undertaking or from the units of specified company referred to in Section 10(35) of the Act, is exempt from tax in the hands of the Company under Section 10(35) of the Act. However, as per Section 94(7) of the Act, losses arising from the sale/redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent of the amount of income claimed exempt.
2. Under section 10(38) of the Act, long term capital gains arising on transfer of equity shares held in another Company or an unit of an equity oriented fund (as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)) would be exempt from tax where the sale transaction

has been entered into on a recognized stock exchange of India and is liable to securities transaction tax. However, when the company is liable to tax on book profits under section 115JB of the Act, the said income is required to be included in book profits and taken into account in computing the book profit tax payable under section 115 JB.

3. Under section 32 of the Act, the deduction for depreciation will be available at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patents, trademarks, copy rights, know how, licenses, franchise or any other business or commercial rights of similar nature. Also additional depreciation of 20% of the cost of plant & machinery shall be allowed u/s 32(1)(ia) of the Act subject to the plant being purchased and put to use in the same previous year and should be used for a period of more than 180 days. However, In case the machinery is used for less than 180 days then additional depreciation shall be allowed @ 10% only.
4. Under section 32(2) of the Act, the unabsorbed depreciation arising due to absence/ insufficiency of profits or gains chargeable to tax can be carried forward. The amount is allowed to be carried forward and set off for the succeeding years until the amount is exhausted without any time limit. Unabsorbed business losses can be carried forward and set off against business profits for eight subsequent years.
5. Under section 35D of the Act, the deduction, subject to prescribed limits, will be available in respect of the expenditure incurred of the nature specified in the said section, including expenditure in connection with the present issue, such as underwriting commission, brokerage and other expenses, as specified in the said section, by way of amortization over a period of five years.
6. Under section 80G of the Act, the Company is entitled to deduction either for whole of the sum paid as donation to specified funds or institutions or fifty percent of sums paid, subject to limits and conditions as provided in the section 80 G (5). Also, under section 80GGB of the Act, the company is entitled to a deduction of the amount contributed by it to any political party or an electoral trust.
7. Under section 115JAA (1A) of the Act, tax credit shall be allowed in respect of Minimum Alternate Tax (MAT) paid under section 115JB of the Act for any assessment year commencing on or after 1st April, 2006. The credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set off beyond ten years immediately succeeding the year in which the MAT credit initially arose.
8. Under the provisions of section 35(1) (i) of the Act read with clause (iv) of this subsection, the Company shall be eligible for 100% deduction of any expenditure (not being in the nature of capital expenditure) laid out or expended on scientific research related to the business.
9. Under the provisions of section 35(1) (ii) of the Act, the Company shall be eligible for a weighted deduction of 175% of any sum paid to a research association which has as its object the undertaking of scientific research or to a university, college or other institution to be used for scientific research subject to fulfilment of the prescribed conditions.
10. Under the provisions of section 35(1) (ia) of the Act, the Company shall be eligible for a weighted deduction of 125% of any sum paid to a company to be used by it for scientific purpose, subject to fulfilment of the prescribed conditions.
11. Under the provisions of section 35(1) (iii) of the Act, the Company shall be eligible for a weighted deduction of 125% of any sum paid to a any sum paid to a research association which has as its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in social science or statistical research, subject to fulfilment of the prescribed conditions.
12. Under the provisions of section 35AC of the Act, the Company shall be entitled to deduction of 100% for payment of any sum to a public sector company or to a local authority or to an association or institution approved by the National Committee for carrying out any eligible project or scheme or for any expenditure directly made by it on the eligible project or scheme subject to fulfilment of the prescribed conditions.
13. Under the provisions of section 35CCA of the Act, the Company shall be entitled to deduction of 100%

for payment of any sum to an association or institution which has as its object the undertaking of any programme of rural development or training of persons for implementing such programmes approved by the prescribed authority or to a rural development fund or to the National Urban Poverty Eradication Fund set up and notified by the Central Government in this behalf subject to fulfilment of the prescribed conditions.

14. Under the provisions of section 35CCB of the Act, the Company shall be entitled to deduction for any expenditure by way of payment of any sum to an association or institution which has as its object the undertaking of any programme of conservation of natural resources or afforestation or to a fund for afforestation set up and notified by the Central Government subject to fulfilment of the prescribed conditions.

***General Benefits Available to person other than company***

1. As per the provisions of Section 10(34) of the Act, dividend (both interim and final), if any, received by the members/shareholders from the Company is exempt from tax. The Company will be liable to pay dividend distribution tax on the amount distributed as dividend.

However, the Finance Act 2016 has introduced Section 115BBD which provides that the aggregate of dividends received by an individual, HUF or a firm resident in India from domestic companies in excess of INR 10 lakh will be taxed at the rate of 10 percent on a gross basis and no deduction will be available for any expenditure.

2. Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
3. Under section 111A of the Act, capital gains arising to a shareholder from transfer of short term capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, entered into on a recognized stock exchange in India on which securities transaction tax has been paid will be subject to tax at the rate of 15% (plus applicable surcharge, educational cess and Secondary & Higher Education Cess on income tax).
4. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:
  - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gains is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gains. The cost of the long term specified assets, which has been considered under this section for calculating capital gains, shall not be allowed as a deduction from the income -tax under section 80C of the Act.

5. Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under section 10(38) of the Act) arising to an individual or a Hindu Undivided Family on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

***Tax Treaty Benefits***

As per section 90(2) of the Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non-resident shareholder would prevail over the provisions of the Act

to the extent they are more beneficial to the non-resident shareholder.

1. Taxation of income from investment and long term capital gains (other than those exempt under section 10(38) of the Act).
  - a) A non-resident Indian i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the specific provisions contained in Chapter XII-A of the Act, i.e. "Special provisions relating to certain income of non-residents".
  - b) In accordance with section 115E, income from investment or income from LTCG on transfer of assets other than specified asset shall be taxable at the rate of 20 percent (plus applicable cess). Income by way of LTCG in respect of a specified asset (as defined in Section 115C (f) of the Act), shall be chargeable at 10 percent (plus applicable cess).
  - c) As per the provisions of Section 115F of the Act, LTCG [not covered under Section 10(38) of the Act] arising to an NRI on transfer of a foreign exchange asset is exempt from tax if the net consideration from such transfer is reinvested in specified assets or in savings certificates referred to in Section 10(4B) of the Act within six months of the date of transfer, to the extent and subject to conditions specified in that Section. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently if the specified assets or saving certificates referred in Section 10(48) of the Act are transferred or converted into money within three years from the date of their acquisition.
  - d) Under the provisions of Section 115G of the Act, it shall not be necessary for an NRI to furnish his return of income if his only source of income is investment income or LTCG or both and tax deductible at source under provisions of Chapter XVII-B has been deducted from such income.
  - e) Under the provisions of Section 115H of the Act, where a person who is an NRI in any previous year, becomes assessable as a resident in India in respect of its total income for any subsequent year, he/she may furnish a declaration in writing to the assessing officer, along with his/her return of income under Section 139 of the Act for the assessment year in which he/she is first assessable as a resident, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/her in relation to investment income derived from the specified assets for that year and subsequent years until such assets are transferred or converted into money.
  - f) Under the provisions of Section 115-I of the Act, an NRI may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under Section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year. In such a situation, the other provisions of the Act shall be applicable for the purposes of determining the taxable income and the tax liability arising thereon.

***Benefits available to Foreign Institutional Investors (FIIs)***

1. As per the provisions of Section 10(34) of the Act, dividend (both interim and final), if any, received by the shareholder from a domestic company is exempt from tax. The Company will be liable to pay dividend distribution tax at the rate of 15 percent (plus applicable surcharge and cess) on the amount distributed as dividend. However, as per Section 94(7) of the Act, losses arising from purchase and sale of securities, where such securities are bought or acquired within a period of three months prior to the record date and such securities are sold or transferred within three months from the record date, will be disallowed to the extent of the amount of dividend claimed as exempt.
2. In Finance Act (No.2), 2014 it was provided that any securities held by a FII which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be capital asset. Consequently, the income arising to a FII from transactions in securities would always be in the nature of capital gains.
3. In accordance with Section 115AD, FIIs will be taxed at 10 percent (plus applicable surcharge and cess) on LTCG (computed without indexation of cost and not taking into consideration foreign exchange rates fluctuation), if STT is not payable on the transfer of the shares.

4. LTCG arising to shareholder on transfer of long term capital asset being listed equity shares of a company will be exempt from tax under Section 10(38) of the Act provided that the transaction is entered in on or after 1 October 2004 and STT has been paid on such transfer.
5. As per the provisions of Section 111A of the Act, STCG arising on sale of short term capital asset, being listed equity shares in a company, shall be chargeable to tax at the rate of 15 percent (plus applicable surcharge and cess) provided the transaction is chargeable to STT. If the provisions of Section 111A are not applicable to the STCG, then the tax will be charged at the rate of 30 percent (plus applicable surcharge and cess).
6. The benefits of exemption under Section 54EC of the Act mentioned above in case of the Company are also available to FIIs.
7. In accordance with the provisions of Section 90 of the Act, FIIs being non-residents will be entitled to choose the provisions of Act or the provisions of tax treaty entered into by India with other foreign countries, whichever are more beneficial, for determining their tax liability in India (subject to furnishing of Tax Residency Certificate).
8. An explanation has been inserted in Section 115JB stating that the provisions of Section 115JB shall not be applicable and shall be deemed never to have been applicable to a foreign company if-
  - It is a resident of a country or a specified territory with which India has a tax treaty referred to in sub-section (1) of Section 90 and it does not have a permanent establishment in India; or
  - It is a resident of a country with which India does not have a tax treaty and it is not required to seek registration under any law for the time being in force relating to companies.

***Tax Benefits available to Mutual Funds.***

1. In terms of Section 10(23D) of the Act, all Mutual funds set up by public sector banks or public sector financial institutions or Mutual Funds registered under the Securities and Exchange Board of India Act/Regulations there under or Mutual Funds authorized by the Reserve Bank of India, subject to the conditions specified, are eligible for exemption from income taxes on all their income, including income from investment in the shares of the Company.
2. However, the Mutual Funds would be required to pay tax on distributed income to unit holders as per the provisions of Section 115R of the Act. However, w.e.f. 1 October 2014, for the purpose of determining additional income tax, the amount of distributed income shall be increased to such amount as would after reduction of additional income tax on such increased amount at the rate specified be equal to the amount of income distributed by mutual fund.

***Benefits Available to Venture Capital Companies/Funds***

In terms of Section 10(23FB) of the Act, all venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified therein, are eligible for exemption from income tax on any income from investment in a venture capital undertaking. Further, the Finance Act, 2015 has inserted a proviso providing that nothing contained in this clause shall apply in respect of any income of a venture capital fund or venture capital company, being an “investment fund” of the previous year relevant to the assessment year beginning on or after 1<sup>st</sup> April 2016.

“Investment fund” has been defined in clause (a) of Explanation 1 to Section 115UB of the Act to mean any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992.

***Benefits available to Investment Fund under the Act:***

The Finance Act, 2015 has inserted Chapter XII-FB in the Act which provides for special taxation regime for Category I and Category II Alternative Investment Funds referred to as “investment fund” as per clause (a) of Explanation 1 to Section 115UB of the Act. Further, the said Act has also inserted

Section 10(23FBA) specifying that income of any investment fund other than income chargeable under the head “Profits and gains of business or profession” shall be exempt from income tax.

***General Anti-Avoidance Rule (‘GAAR):***

In terms of Chapter XA of the Act, General Anti-Avoidance Rule may be invoked notwithstanding anything contained in the Act. By this Rule, any arrangement entered into by an assessee where the main purpose of the arrangement is to obtain a tax benefit may be declared to be impermissible avoidance arrangement as defined in that Chapter and the consequence would be inter alia denial of tax benefit, applicable w.e.f FY 2017-18. The GAAR provisions can be said to be not applicable in certain circumstances viz. where the main purpose of arrangement is not to obtain a tax benefit etc. including circumstances enumerated in CBDT Notification No. 75/2013 dated 23 September 2013.

The Central Board of Direct Taxes (CBDT) vide Notification No. 49/2016, dated 22 June 2016, has amended the GAAR. The GAAR provisions are not applicable to any income accruing or arising to, or deemed to accrue or arise to, or received or deemed to be received by, any person from transfer of investment made before 1 April 2017. Further, GAAR provisions are applicable to any arrangement, irrespective of the date on which it has been entered into, in respect of the tax benefit obtained from an arrangement on or after 1 April 2017.

***Benefits under the Wealth Tax Act, 1957***

The Finance Act, 2015 has abolished the levy of wealth tax under the Wealth Tax Act, 1957 with effect from 1 April 2016.

**UNDER THE GIFT TAX ACT, 1958**

A gift made after 1 October 1998 is not liable for any gift tax, and hence, gift of shares of the company would not be liable for any gift tax. However, in the hands of the donee the same could be treated as income subject to certain conditions unless the gift is from a relative as defined under Explanation to Section 56(2) (vii) of the Act.

**Notes:**

- (a) All the above benefits are as per the current direct tax laws relevant for the Assessment Year 2017-18 (considering the amendments made by Finance Act, 2016).
- (b) The above statement covers only certain relevant benefits under the Income-tax Act, 1961 and does not cover benefits under any other law.
- (c) The possible tax benefits are subject to conditions and eligibility criteria which need to be examined for tax implications.
- (d) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the Offer.
- (e) The above Statement of Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares
- (f) The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.

## SECTION V – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Letter of Offer is reliable, it has not been independently verified.*

*Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.*

### INDUSTRY OVERVIEW

Steel Industry in India contributes around 2% of its total GDP and employs over 6,00,000 people. While China continues to remain as the world's top producer of steel, accounting for 50% of world steel production (803 million tons), followed by Japan (105 million tons), the Indian steel industry remained the world's third-largest steel producer (89 million tons) followed by USA (78.92 million tons) and Russia (71.11 million tons) in year 2015-16.

Production in India has increased at a CAGR of 8.4 per cent during FY10-FY15. India has set ambitious targets to go up from the present installed capacity of about 101 MTPA to as high as 300 MTPA by 2025. The per capita consumption of steel in India continued to remain low as compared to other countries, indicating further potential growth of the domestic steel industry. The average per capita use of steel in India in 2014 was about 59.4 kg compared to the world average of 216.6 kg, so the domestic steel industry's long-term prospects remain intact. With ongoing developments, India is expected to close in with world steel per capita consumption average in next 10 years.

In the medium term as well, the leading steel producers in India have lined up plans to increase their steel capacity in line with the expected increase in the domestic consumption of steel. However researcher believes, with the current pace of expansion, the Indian steel industry over the next 1-2 years is only likely to add another 15 million tonnes of capacity, taking the domestic steel capacity at around 115 million tonnes by FY18.

#### **Growth in Market Value of the Indian Steel Sector**

- In 2014, the Indian steel sector's total market value was USD 81 billion.
- The sector has benefitted from the hike in prices and production, especially since the beginning of the millennium.
- Over 2007–16(E), the sector's market value is estimated to have posted a strong CAGR of 13.7 per cent.

#### **Notable Trends in the Indian Steel Industry**

##### ***Growing Investments***

- To enhance capacity by 488.66 million tonnes, 301 MOUs have been signed with states.
- Potential steel addition capacity would attract an investment of USD83 to USD166 billion.
- India became the third largest crude steel producer globally in 2015-16.
- Most of the companies in the industry are undertaking modernization and expansion of plants to be more cost efficient. e.g. SAIL has undertaken modernization and expansion for its six plants.

- The production capacity of SAIL is expected to increase from 13 MTPA to 50 MTPA in 2025 with the total investment of USD24.88 Billion.
- An Inter-Ministerial Group (IMG) functioning under the Ministry of Steel, is monitoring and coordinating major steel investments across the country.

#### ***Increased emphasis on technological innovation***

- Indian steel companies have now started benchmarking their facilities and processes against global standards to enhance productivity.
- These steps are expected to help Indian companies improve raw material and energy consumption, as well as improve compliance with environmental and pollution yardsticks.
- Companies are attempting coal gasification and gas-based Direct-Reduced Iron (DRI) production.
- Other alternative technologies such as Hlsmelt, Finex and ITmk3 are being adopted to produce hot metal.
- Ministry of Steel has issued necessary direction to the steel companies to frame a strategy for taking up more R&D projects by spending at least 1 per cent of their sales turnover on R&D to facilitate technological innovations in the steel sector.
- Ministry has established a task force to identify the need for technology development and R&D.
- Ministry has adopted energy efficiency improvement projects for mills operating with obsolete technologies.

#### ***Policy Support Aiding Growth in the Steel Sector***

- In view of the sector's changed dynamics, globally as well as domestically, the Ministry of Steel has initiated the process of drafting a new National Steel Policy to replace the existing National Steel Policy of 2005.
- According to the final draft of National Steel Policy 2015, government would permit 100 per cent Foreign Direct Investment (FDI) through the automatic route for the steel sector.
- New National Steel Policy has been formulated by the Ministry of Steel in 2016, which will retain the objectives included in National Steel Policy (NSP) 2005. It aims at covering broader aspects of steel sector across the country including environment and facilitation of new steel projects, growth of steel demand in India and raw materials.
- A new scheme, 'The scheme for the promotion of R&D in the iron and steel sector', has been approved with budgetary provision of USD 24.6 million to initiate and implement the provisions of the scheme as per the 11th Five-Year Plan which has continued in the 12th Five Year Plan
- Under R&D scheme in assistance with SDF, 91 R&D projects have been approved upto April 2016, with total fund of USD 145.23 million, wherein SDF contributed for USD 81.91 million
- The development of technology for Cold-Rolled Grain Oriented (CRGO) steel sheets and other value-added products is also included under the policy purview and is allocated USD 6.7 million
- Export duty on iron ore has been increased to 30 per cent ad valorem on all varieties of iron ore (except pellets), to preserve iron ore resources for domestic use
- As per the government's decision, the Government of India's 51 per cent shareholding in Eastern Investments Company Limited (EIL), under Bird Group of Companies, was transferred to Rashtriya Ispat Nigam Limited (RINL)
- New techno-economic benchmarks have been evolved on international patterns to improve performance of steel PSUs; implementation is being monitored closely

- The Steel Ministry is preparing a feasibility report to merge all the small PSUs. Feasibility study is under preparation for the merger of MSTC (1) and Ferro Scrap Nigam Limited, Bhilai (FSNL)
- Under the Ministry, the Joint Plant Committee (JPC) studied 300 districts, 1,500 villages, 4,500 manufacturers and 8,000 retailers spread over India's 28 states and 7 union territories to assess steel demand in the rural areas and examine the potential to increase steel consumption levels
- To lead the research in the steel sector, Ministry will be setting up Steel Research and Technology Mission of India (SRTMI) with an initial corpus of USD 33 million
- Government has initiated Project Monitoring Group(PMG) constituted under the Cabinet Secretariat in order to fast track various clearance issues that results in the delay in investments in the steel industry

### **Optimistic demand growth to improve Operating rates**

Against all odds, India continues to remain globally competitive in steel making, with its competencies like abundance of iron ore and low labour costs offsetting impediments like scarcity of coking coal and relatively high cost of finance. Most of the large integrated steel producers in India are actively involved in increasing their current crude steel capacity through various Greenfield and Brownfield projects. With the commissioning of these capacities, domestic steel volumes are expected to increase at a robust rate. While domestic steel demand is likely to show an improvement, Indian steel makers are also targeting the exports market especially the other Asian and Middle East countries. While India's exports volumes are expected to improve, lower imports will benefit the domestic steel makers to improve upon their current operating rates.

### **Outlook on sectors driving domestic steel demand**

Domestic steel demand can be broadly categorized into demand for flat steel products and the demand for long products. While the demand for flat products in the domestic market is likely to be supported by the engineering, automobiles and the pipe-manufacturing sector, the demand for long products will continue to increase on the back of an expected improvement in the infrastructure and the construction sector. According to Research estimates, demand for flat products during the next 4-5 years is likely to grow at a CAGR of about 6.0%, while the demand for long products during the same period is likely to grow at a CAGR of about 6.2%.The increase localization of components by manufacturers like Honda, Ford, Suzuki, Hyundai and Nissan has helped steel industry to improve its operating cost and also provide a suitable substitution for imported steel.

Alloy and carbon steel for automotive forging application has production capacity of 4.0 million tons approximately with demand as high as 4.5 million tons, which is expected to go upto 7 million tons by 2020. Steel producers have also lined up new production facilities upto 3 million tons per annum to bridge this demand v/s production gap by 2020.

The Railways with increased demand of leaf spring steel and coil springs followed by other components like Shafts etc. for new improved coaches and engines have boosted the steel industry production as well, followed by similar increase demands to indigenous Defence sector. The ordnance factories are working for the same throughout India with companies like Kalyani Carpenter, Jindal and Star wires etc.

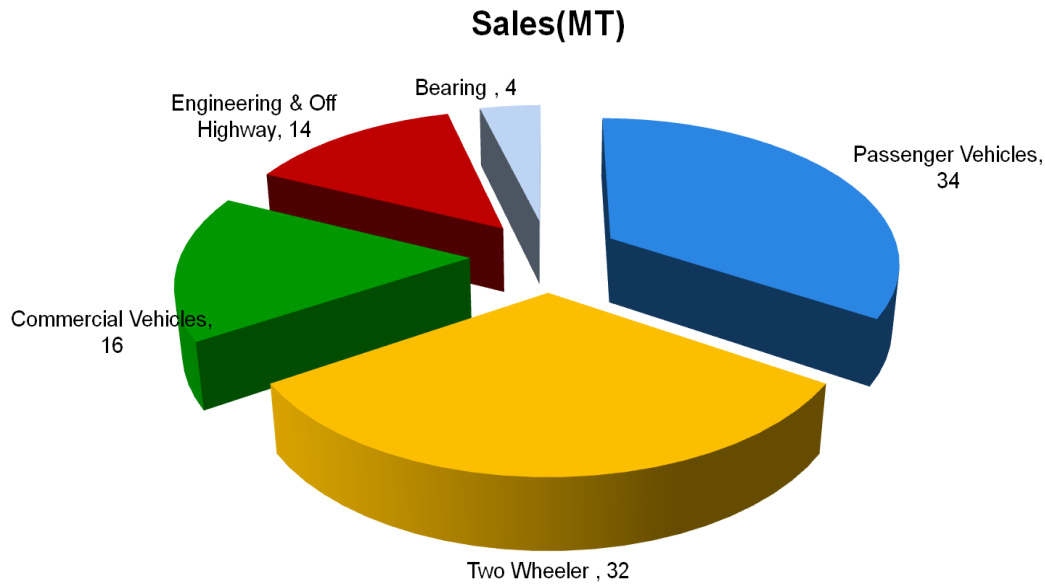
### **International Markets**

Forging application steel contribution in exports though is very less ( less than 1%) of total produce but it finds its way in niche segments of Auto industry for applications like Axles, Gears, Springs, shafts etc. for Auto majors and Tier 1 Companies like Caterpillar, Magna, GKN, American Axles ranging from South Asia till far European countries. With India fast becoming production hub for most automotive industry in the world, the demand of exporting auto component and to an extend raw steel is going to increase only in next 5 years.

## BUSINESS OVERVIEW

The Company is engaged in the manufacturing of Billet, Steel bars and rods and bright bars of various categories of Special and Alloy Steels. . The high-grade hot rolled bars manufactured by the Company are being used for varied applications in Engineering, Automotive, Tractor, Bearing and Allied Industries. Our Company also caters to various automobile forging companies with end users ranging from passenger cars to tractors, two wheelers, commercial vehicles and off high way vehicles. The Company also supplies steel for bearing applications and also is successfully delivering steel for forging applications in International markets of Thailand, Taiwan, Turkey, Russia and Spain. About 4% of the total production of the Company is exported.

**Industry wise percentage sale of our Company is as follows:-**



Vardhman Special Steels Limited (Our Company) was incorporated on May 14, 2010, as a Public Limited Company under the provisions of the Companies Act, 1956 and subsequently received its certificate of commencement of business on June 15, 2010. In the year 2011 pursuant to Scheme of Arrangement & Demerger between Vardhman Textiles Limited and our Company as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh under Section 391-394 of Companies Act, 1956 dated January 12, 2011, the Steel business undertaking of Vardhman Textiles Limited got vested in our Company w.e.f. January 01, 2011.

Our existing factory is located at Plot No. C-58 ad measuring approximately 19.74 acres, Focal Point, Ludhiana – 141010, which consists of Melting Shop, Rolling Mill and Bright Bar Shop. We also own a warehouse situated at Plot No. C-400, Pioneer Industrial Park, Pathredi, Bilaspur, Gurgaon, Haryana. We have also leased warehouses across India. We also have one warehouse situated at Bangkok, Thailand. It is a Bonded warehouse being managed by Third Party Logistics Providers.

Our Company has state of the art Electric Arc steel making facility along with latest processing and steel rolling facility supported by all modern hardware and software to produce steel for automotive forging applications. We have in-house Research and Development lab and all testing facilities to cater to demand of technically superior special steel for end users like Toyota, Suzuki, Nissan, Ford, Hero Moto Corp, Yamaha, Bosch and Caterpillar US.

## PLANT & MACHINERY, TECHNOLOGY & PROCESS

### *Plant & Machinery*

Some of the major plant & machinery owned by us and available at our existing plant is as under:

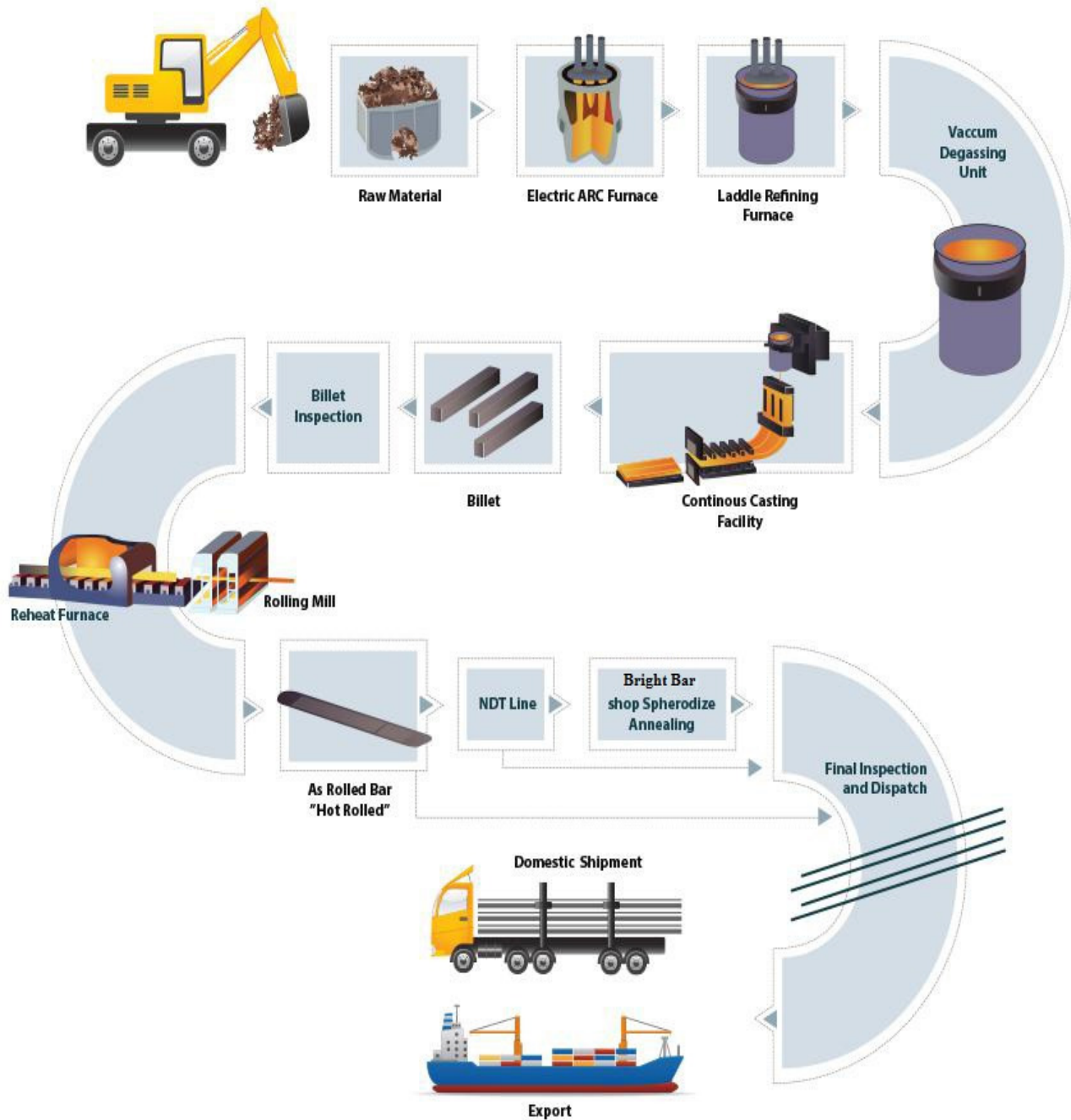
| Name of the Plant and Machinery   | Quantity |
|---|----------|
| Electric Arc Furnace 30 TON   | 1        |
| Transformer 25 MVA  | 1        |
| Lance Manipulator   | 1        |
| Ladle Pre-Heater  | 4        |
| Ladle -30 Ton Capacity  | 7        |
| Ladle Refining Furnace  | 1        |
| Continuous Casting Machine  | 1        |
| Rolling Mill (33 tons/ hr - Reheating furnace, 11 Stands, transformer and allied) | 1        |
| Spheroidizing Annealing Furnace   | 5        |
| Shot Blasting Machine   | 1        |
| Straightening Machine   | 1        |
| Chemfering Machine  | 1        |
| Ultrasonic Testing Machine  | 1        |
| Magnetic Flux Leakage Test System   | 1        |
| Straightening Machine   | 3        |
| Peeling Machine   | 4        |
| Reeling Machine   | 3        |
| Centerless Grinding Machine   | 6        |
| Bandsaw Machine   | 5        |
| MPI Machine   | 2        |
| Circular Saw Machine  | 1        |

### *Misc. Equipments*

| Name                    | Quantity |
|-------------------------|----------|
| Oxygen Plant            | 2        |
| 66 KV Sub Station       | 1        |
| 1250 KVA Silent DG Set  | 1        |
| 1250KV D.G.Set          | 1        |
| Goliath Crane           | 1        |
| EOT Crane - 12.5 T Cap. | 2        |
| 70/20 Ton Eot Crane –   | 1        |
| Slag Crusher Plant      | 1        |
| Fume Extraction System  | 1        |

## MANUFACTURING PROCESS

*Process flow for the production of Steel Bars & Rods*



## **Inspection And Testing**

Inspection and testing of the raw materials is the first stage in the Steel Billet manufacturing process. Initially, visual inspection is done and thereafter, the samples are taken from material for testing in the laboratory. We have our in-house Research & Development cell which is fully equipped to test the specifications/properties of the raw material.

## **A. STEEL MELTING SHOP**

### **a. Electric Arc Furnace**

The scrap is filled in the charging bucket with the help of a crane fitted with an electromagnet. The scrap mix percentage is decided based on the steel grade to be produced. The scrap is then charged in the Electric Arc Furnace with the help of charging bucket. On completion of the charging process, the three electrodes are lowered through the roof into the Electric Arc Furnace to make a contact with the scrap. Current is switched on and due to electric arcing, heat is generated which converts the charge into liquid metal. Steel making in the Electric Arc Furnace is divided into Oxidation and Reducing Periods.

#### *Oxidation:*

In this process, main elements oxidized are Si., Mn., P & C. Various fluxes like calcined dolomite and calcined lime are used to form slag i.e. impurities. The slag is taken out by tilting the furnace.

Tap to tap time in furnace takes about 85 minute per heat.

#### *Reducing Period:*

After slag is taken off, part of the additions are made as per the required chemistry of the target grade. Samples are also drawn for chemical analysis.

After melting and taking off slag, the liquid metal (LM) is tapped into a preheated ladle of matching capacity through the tapping hole.

Tap to tap time in furnace takes 85 minute per heat.

### **b. Ladle Refining Furnace**

The Liquid Metal after tapping into a Ladle is then taken to the Ladle Refining Furnace (LRF). At this station, while continuous arcing at relatively lower current is taking place to maintain and raise temperature for further processing; at the same time, alloying of various elements namely; Chrome, Nickel, Moly, Aluminium, Silicon etc. is done with relative ferro Alloys depending upon the target steel grade. During the process, samples are drawn which are checked on the Spectrometer to determine the quantum of alloying elements to be added to the Liquid Metal based on target chemistry of steel grades.

Time taken in ladle refining furnace is 60 minute per heat.

### **c. Vacuum Degassing**

After processing at Ladle Refining Furnace (LRF), the Ladle filled with Liquid Metal is then taken to the Vacuum Degassing Station. At this station, the Liquid Metal is placed in a refractory lined vessel which has an air-tight roof. Vacuum is then applied in the vessel (upto one millibar) which has the effect of extracting gases (viz; Oxygen, Nitrogen and Hydrogen) trapped in the Liquid Metal. After the gas levels in liquid metal have been lowered to the required extent, the vacuum is then broken and Liquid Metal is ready to go for casting.

Time taken in Vacuum degassing is 20 - 40 minute per heat.

### **d. Casting**

The liquid metal is then casted in the form of billets/blooms in the Continuous Casting Machine. Liquid Metal is poured into the tundish lined with refractory. The metal is poured into the moulds through tundish nozzles. The metal is continuously cooled in different cooling zones. After casting, billet is cut into various lengths & sizes. Throughout the process liquid metal is not exposed to atmosphere by using close casting practices.

Time taken in Casting is 50 - 60 minute per heat.

## **B. ROLLING MILL**

As per the requirement of finished product, the input i.e. billet sizes are decided and cut into required lengths. These billets are pushed into reheating furnace with the help of hydraulic pusher. Hot billets are allowed to pass through different passes for getting desired shapes in various mill stands. After finishing, the bars are cut in the hot saw machine as per the required length. The bars are then spread on the cooling bed to cool down and then collected in the cradle. The material is then shifted to Conditioning & Finishing Department for final inspection and allied activities.

## **C. BRIGHT BAR SHOP**

Bright Bar Shop is a step towards manufacturing of Value Added Steel meant for certain critical applications. After rolling of billets/blooms, the Black Bars are transferred to Bright Bar Shop. The activities carried out in the Bright Bar Shop are; Straightening, Peeling, Reeling, Centreless Grinding, Bandsaw Cutting & Magnetic Particle Inspection (MPI).

In the Straightening process, hot rolled black bars are straightened on the Straightening Machine and then transferred to Peeling Machine. During peeling, the straightened bars are peeled as per customer's requirements in order to remove Surface Defects and to achieve dimensional accuracy. On the Reeling Machine, the peeled bars are polished to remove turning marks left during peeling process and also the bars are straightened in this process. After reeling, the bars may be ground on the Centreless Grinding Machine, as per customer's requirements. After reeling/C.G., the bars are cut in fixed/multiple length as per customer's specifications. The bars are then inspected on MPI Machine for detection of cracks. After MPI, each and every bar is checked to ensure dimensional accuracy as per customer's specifications and also to avoid mix-ups, before finally stacking for dispatch to the customers.

## **D. NDT LINE**

### **a. Shot Blasting**

Online process where from Hot rolled bars, scale is removed from the surface. Surface level achieved as per "Sa" standard, helpful for visual inspection & further NDT line process.

### **b. Auto Straightening**

Online straightening process where bars passed through the input credal to main straightening machine, then two output credals. Straightening is done as per customers' requirement.

### **c. Chamfering machine**

Online chamfering machine both side of the bars to acquire to automobile sector application. This is a special process for special application.

### **d. Magnaflux leakage test**

This test is catering to test smallest defect level (0.10 x10 mm) surface defects automatically. This consists of input bar credal & main magnetic flux test machine & then output bar credal of OK & Not OK separately. MFLT works with yokes, test shoes & with magnetic flux.

### **e. Auto Ultrasonic test**

Automatic ultrasonic bar testing system supports us to check internal quality of bars without any destruction. It consists of advanced phased array system which makes us capable to meet stringent quality demands of automobile manufacturer. The system is having facility of auto-sorting of bars along with auto marking of suspected portion of bars.

## **E. Heat treatment**

All six furnaces are rectangular bell type annealing furnace for heat treatment with electrical resistance heating energy. Heating profile control through PID controllers.

Heat treatment of bars is done to achieve desired metallurgical & mechanical properties of material through change in internal Micro-Structure of the material.

## **COLLABORATIONS**

We have not entered into any technical or other collaborations till date.

## **INFRASTRUCTURE FACILITIES**

### **1. Raw Materials**

The principal raw material used for manufacturing of steel billets is Shredded Scrap, Sponge Iron, Directly Reduced Iron (DRI) Pig Iron, MSTB etc. Apart from these raw materials, various types of ferrous alloys are mixed with the liquid metal at LRF stage. All these are procured from domestic and overseas market.

### **2. Water-supply**

The water required for our manufacturing process is met by us through our own three tube wells. The water is mainly required for cooling process at our Steel Melting Shop and Rolling Mill. At present, the Company is consuming about 600 kl of water per month.

### **3. Power**

We have availed a power connection from PSPCL with connected and sanctioned load of 34800 KW which is sufficient to meet our plant requirement. We also have 2 (two) D.G. sets having capacity of 1250 KVA each for meeting emergency power requirement for our utilities/Bright Bar Shop and for other general purposes.

### **4. Fuel**

We require fuel in the form of furnace oil for the functioning of the Reheating Furnace in our Rolling Mill and also for heating of ladle in the Melting Shop. To meet this requirement, we have tied up with Indian Oil Corporation.

### **5. Pollution Control Permission**

We have valid permissions from the State Pollution Control Deptt.

### **6. Human Resource**

Currently, our Company is having a strong Board consisting of 9 directors and professionals heading the different functions at higher management/ middle-management and junior staff level. For the operation of our existing facilities, we have engaged about 350 full-time employees, 530 permanent labourers and about 250 contract labourers . There is no trade union to which our workers are registered.

### **7. Quality Assurance**

#### ***Accreditation***

We are accredited for Management system certification like ISO 9001:2008, TS 16949:2009 from DN-GL for catering stringent need of automotive manufacturers . Keeping in view of environment & occupational hazards we adopt ISO 14001:2004, OHSAS 18001:2007 Management system certification from DNV-GL. We also have Product certification from Bureau of Indian standard & carry Licenses for IS:1875,IS:283 for Hot rolled supply material. In addition to this we are in -process of havng license of Supply of Bright bars from BIS. We also hold product approvals from RDSO for supply of spring steel round for Indian railway application.

#### ***Control:***

For manufacturing superior quality alloy steel, our focus is to improve steel cleanliness at every stage of manufacturing. Our experienced R&D personnel is responsible for the formulation of an inward raw material inspection procedure and an advanced standard operating procedure in order to implement them for all processes for achieving the desired quality of products. Our R&D team is consistently working to develop innovative & cost

effective solution. A team of Qualified & Experienced Quality persons in testing & process is responsible for Quality product.

Our Plant is equipped with most modern testing equipment like spectrometer for chemical composition analysis, Leco for Gas analysis, well equipped chemical lab for wet analysis. XRF machines for Anti- Mix control, mechanical lab consisting of tensile testing, impact testing, metallurgical lab for evaluation of microstructures, grain size and inclusion analysis of finished material. We also have complete Non-destructing testing facility consisting of MPI, Automatic Magna flux leakage tester, Automatic Ultrasonic tester to supply defect free goods to customer.

## PRODUCTS

Our Company specializes in steel bars manufacturing (being the only product) and has a variety of size range from lower diameters like 16 mm to higher diameters like 90 mm upto 120 mm.

The business environment related to alloy steel industry is intertwined with the highly globalized automobile industry. The automobile industry also happens to be one of the most vibrant sectors of the Indian industry at present and likely to be so for foreseeable future as well. Further, growth in auto components export also gives additional impetus to the alloy steel industry growth in terms of better capacity utilization and capacity expansion.

Our Company is equipped to produce steel grades from basic carbon steel to high alloy steel to bearing steels to Micro Alloy steels to customize steel chemistry as required by OEM and Tier 1 companies for their applications. Our approval range is extended to likes of Passenger cars, Two wheelers, Commercial vehicles, Tractors and Engineering Industry to name a few.

Currently, there are about 25 alloy steel players in India with a capacity of 9 million tonnes to meet the increased requirements of this specialized segment. However, it is facing a severe threat of cheaper imports from China in the short term due its low cost of manufacturing and idling of excess capacities. More than 60% consumption of alloy steel by automotive industry.

(Source: Steel Word, November 2016)

| APPARENT CONSUMPTION OF ALLOY AND SPECIAL STEELS (IN 000 TONNES) |            |         |         |                      |
|--|------------|---------|---------|----------------------|
| Year   | Production | Imports | Exports | Apparent Consumption |
| 1998-99  | 1365       | 34      | 157     | 1242                 |
| 2002-03  | 2074       | 60      | 448     | 1686                 |
| 2007-08  | 2900       | 761     | 197     | 3464                 |
| 2014-15  | 4881       | 2567    | 689     | 6759                 |
| 2015-16  | 5387       | 2763    | 559     | 7591                 |
| 2019-20 (Estimated)  | 9000       | 1000    | 1000    | 9000                 |

| ALLOY STEEL SEGMENT WISE CONSUMPTION |                |
|--------------------------------------|----------------|
| Industry Category                    | % Distribution |
| Automotive                           | 60%            |
| Spring Manufacturers                 | 9%             |
| Seamless Steel Tubes & Pipes         | 5%             |
| Bright Bars                          | 5%             |
| Defense                              | 5%             |
| Other Engg. Industries               | 16%            |
| <b>TOTAL</b>                         | <b>100.00%</b> |

(Source: Steel Word, November 2016)

The bars and rods are mostly used by automotive companies Tier 1 and Tier 2 suppliers which is approximately 2.46 million MT followed by auto component 1.26 million MT. Other prominent markets for bars are Railways, Defence, and Earth Moving Equipment manufacturers like JCB and Caterpillar.

India being fast becoming global hub for automotive component industry, auto manufacturing industry and for exports of automobile for this steel players are putting new facilities both green field and brown field to cater to increase demand of steel. The major addition in capacity of about 2.85 million MT is expected to come in regions

like Karnataka through Blast Furnace route by 2019-20. Our Company also envisaged increase its installed capacity to 1,80,000 MT by 2019-20.

### **Automotive Industry Growth**

#### **Production**

The industry produced a total 2,39,60,940 vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle in Fiscal 2016 as against 2,33,58,047 in Fiscal 2015, registering a marginal growth of 2.58 percent over the same period last year.

#### **Domestic Sales**

The sales of Passenger Vehicles grew by 7.24 percent in Fiscal 2016 over the same period last year. Within the Passenger Vehicles, Passenger Cars, Utility Vehicles and Vans grew by 7.87 percent, 6.25 percent and 3.58 percent respectively during Fiscal over the same period last year.

The overall Commercial Vehicles segment registered a growth of 11.51 percent in Fiscal 2016 as compared to the same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) registered a growth at 29.91 percent and Light Commercial Vehicles grew marginally by 0.30 percent during Fiscal 2016 over the same period last year.

Three Wheelers sales grew by 1.03 percent in Fiscal 2016 over the same period last year. Passenger Carrier sales grew by 2.11 per cent & Goods Carrier sales declined by (-) 3.62 percent respectively in Fiscal 2016 over Fiscal 2015.

Two Wheelers sales registered a growth at 3.01 percent during Fiscal 2016 over Fiscal 2015. Within the Two Wheelers segment, Scooters grew by 11.79 percent while Motorcycles and Mopeds dropped by (-) 0.24 percent and (-) 3.32 percent respectively in Fiscal 2016 over Fiscal 2015.

#### **Exports**

In Fiscal 2016, overall automobile exports grew by 1.91 percent. Passenger Vehicles, Commercial Vehicles, Three Wheelers and Two Wheelers registered a growth of 5.24 percent, 16.97 percent (-) 0.78 percent and 0.97 percent respectively in Fiscal 2016 over Fiscal 2015.

Source: Society of Indian Automobile Manufacturers (SIAM)

### **Prominent End Users of our Company are:-**

| Cars           | Two- Wheelers | HCV / LCV     | Auto Components   | Tractors    | Automotive / Off Highway |
|----------------|---------------|---------------|-------------------|-------------|--------------------------|
| Toyota         | Yamaha        | TATA          | Oerlikon Graziano | John Deere  | Bosch                    |
| Hyundai        | HeroMoto Corp | Daimler       | Meritor           | TAFE        | Caterpillar              |
| Maruti Suzuki  | TVS           | Ashok Leyland | Magna             | Mahindra    | Dana                     |
| Renault Nissan | Bajaj Auto    | Swaraj Mazda  | GKN               | Sonalika    | JCB                      |
| GM             | Honda         | Volvo         | American Axle     | New Holland | Sauer Danfoss            |

### **Supply of steel by application:-**

| Component        | OEM                   |
|------------------|-----------------------|
| Output Shaft     | Chrysler              |
| Output Shaft     | Nissan                |
| Gears            | Maruti Suzuki         |
| Gears            | General Motors        |
| Gears            | Tata Motors / Exports |
| Transmission     | John Deere            |
| Gears and Shafts | CNH / FIAT            |
| Gears            | Caterpillar           |
| Gears            | Daimler               |
| Gears            | Yamaha                |
| Gears            | Hero Moto Corp        |

| <b>GROWTH OF INDIAN AUTOMOTIVE INDUSTRY</b> |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Category</b>                             | <b>2010-11</b>     | <b>2011-12</b>     | <b>2012-13</b>     | <b>2013-14</b>     | <b>2014-15</b>     | <b>2015-16</b>     |
| Passenger Vehicles                          | 25,01,542          | 26,29,839          | 26,65,015          | 25,03,509          | 26,01,236          | 27,89,678          |
| Commercial Vehicles                         | 6,84,905           | 8,09,499           | 7,93,211           | 6,32,851           | 6,14,948           | 6,85,704           |
| Three Wheelers                              | 5,26,024           | 5,13,281           | 5,38,290           | 4,80,085           | 5,32,626           | 5,38,092           |
| Two Wheelers                                | 1,17,68,910        | 1,34,09,150        | 1,37,97,185        | 1,48,06,778        | 1,59,75,561        | 1,64,55,911        |
| <b>TOTAL</b>                                | <b>1,54,81,381</b> | <b>1,73,61,769</b> | <b>1,77,93,701</b> | <b>1,84,23,223</b> | <b>1,97,24,371</b> | <b>2,04,69,385</b> |

Source: “Indian Alloy Steel – Evolution & Progression” Steel World, November 2016

With expected compound growth in auto industry to the tune of 4% per annum till 2020-21 and Defence Ministry making elaborate plan to indigenize steel requirements from India for parts to be made in India as per Government “Make In India” initiative, scrapping of old diesel commercial vehicles by Government in phased manner, Railways being expanding its profile of bogies and engines to be exported from India, requirement of steel bars is bound to increase.

## COMPETITION

Our Company is one of the top steel producers of bars for automotive application in India as far as quality is concerned. Companies like Mukand, Kalyani, JSW, Gerdau, Sunflag (with diversified portfolio mix) and others like India Steel Works, Usha Martin, Modern Steels and Adhunik Metaliks are the other prominent quality steel manufacturers.

Big volume manufacturers are situated in Western and in Eastern part of India. Our Company’s Installed Capacity share in alloy and special steel total market of 8.1 million MT is near 2%. Installed capacity likes of Mukand is 3.7%, Sunflag 6%, JSW is 14.8% and Usha Martin is near 12%. Major Competitors like Sunflag, Mukand and ISMT supplies majorly in Western and South India and strong in bearing steel as well, especially ISMT. Kalyani has its own Niche and strong in Defence sector. Usha Martin, Bhushan Power and Steel and companies like Gerdau have spread their markets all over India mainly for industrial, tractor and commercial vehicle segments where either medium to large diameters or less critical steel is used because of cost effectiveness and less criticality of components required as compare to passenger vehicles.

Out of our Company’s total market share – approx 64% of steel goes for passenger and two wheeler segment followed by 16% to 18% to both commercial vehicles and off highway vehicles. Our Company operates in its Niche segment where mainly it is an important or a single source. 60% of its total sales goes for Low volume Critical Quality and Special application of steel. Our Company’s market share percentage in bars and segment is like

- Northern India - 8% (Volume approx 8000 MT / Month)
- Western India - 1.5% (Volume approx 1800 MT / Month)
- South India - 2.6% (Volume 1200 MT/ Month)

Our Company is well placed against its competitors because of single source for critical application steels in most of the cases. As market is growing, our Company is expected to increase its share of business in Northern region close to 10000 MT / month. North being home base, our Company is competing against Mukand, Sunflag, Usha Martin, Bhushan power and Steels and Gerdau.

## Strengths:

1. One of the largest among others for having Automotive OEM’s approvals in its fold.
2. Single Process Route provides advantage to OEM’s as no chance of Mix Up from other route installed within same premises like Induction furnace etc.
3. Large Number of rolled sizes available to customers to choose from.
4. Fast rolling cycle.
5. Makes steel as per various International standards like JIS, SAE, DIN, IS etc.
6. Own warehouses and sales and Marketing team - no dependency on trading houses and traders.
7. Just in Time Delivery to customers - from warehouses and stocks available at various strategic locations

across the country.

8. Dedicated Research and Development department for new business development and approvals.
9. Heat size of 30 MT.
10. Strong team of experienced Metallurgist's for after sales service to customers.
11. Strong support of brand "Vardhaman".

**Weakness:**

1. Located in North part of India - freight is expensive.
2. Manufacturing Process is Electric Arc Furnace - which is costlier than Blast Furnace route which is Primary steel making route
3. Reduction Ratio for bigger rolled sizes like 120mm and 125 mm is less because of maximum billet size available is 240X260 only.
4. Facility to produce ultra clean steel with oxygen ppm less than 8 ppm is not available for all steel grades.
5. Lack of approvals to supply steel in Public sectors like - Railways and Defence
6. No Technical JV or technical alliance.

**Opportunities:**

1. To supply steel for application of passenger car manufacturers like Suzuki and Toyota by replacing / substituting their import requirement of steel bars by our Company.
2. To supply steel for Railways spring applications after RDSO approval.
3. To export steel bars to countries like Iran, Germany and Italy.
4. To develop hexagonal sizes in house for various industrial applications
5. To develop Quench and tempered steel bars for various Tractor component applications in countries like Turkey.
6. To take approval of Japanese Companies like NSK, NTN, Isuzu, Mazda, Toyota and Mitsubishi in coming years.
7. To develop bearing steel market for companies like SKF and Schaeffler.
8. Increasing production in India of 2 wheelers and passenger cars increases demand of steel. Our Company has maximum approvals in both the segments
9. To have technical JV or technical alliance with Japanese or a European steel manufacturer.
10. Defence sector and exports

**Threats:**

1. Increasing raw material cost and freight, making impact on profitability and making business unviable in some territories like South and Western India.
2. Market segments like Commercial vehicles and Tractors shifting towards Blast Furnace Route steel because of less cost.
3. Steel Mills from Korea and China competing at low prices in South Asia especially in markets of Thailand and Indonesia.

**MARKETING**

Our Company's business strategy is to grow more in North India and in Exports. With projects in pipeline of Meritor and Maruti in North India and of American Axle and Dana in Thailand Vardhman share of business will only increase in year 2017-18 and beyond.

Vardhman is trying with various steel manufacturers like Japanese and Europeans for a possible technical tie up in next two years. This will open new markets for Vardhman like Bearing steel, Tool steel and ultra clean steel for defence applications and other high value engineering applications.

## EXPORT OBLIGATION

As on the date of this November 30, 2016 we have an export obligation of ₹ 1,916.95 lakhs, within the 6 (six) years from the date of issue of Licence, failing which our Company may be liable to pay custom duty of ₹319.49 lakhs along with interest @ 15% amounting to ₹ 47.92 lakhs.

## BUSINESS STRATEGY

Our Company in next 5 years is looking forward to consolidate its niche segment supplies. For the same, approvals in pipeline of companies like Volvo, Isuzu, Ford, NTN and Toyota is being closely followed by dedicated team of business development cell. We plan to export to countries like Italy, Iran and Germany in year 2017. Our strategy is to increase share of exports sale from about 4 per cent currently to about 10 per cent of its total sales volume by 2018. Various marketing alliances have been done with marketing representatives in Italy and US to be followed by Germany.

Company plans to create awareness about its capabilities, products and their quality by advertising in the relevant print media, participation in industrial trade exhibition and presentations to large scale customers. It will also focus on conducting technical workshops, seminars for customers/large scale end users to enhance their knowledge of steel used for forging applications and technical characteristics of forging steel.

### Capacity & capacity utilisation

Presently, we have an installed melting capacity of 1,60,000 TPA and that of Rolling Mill is 1,50,000 TPA. The details of the installed capacity of our manufacturing facilities are as follows:

#### Existing Capacity:

| Manufacturing of Billets/Blooms and Rolled bars and rods of various sizes. | Period ended December 31, 2016 | 2015-2016 | 2014-2015 | 2013-2014 |
|--|--------------------------------|-----------|-----------|-----------|
| Melting Capacity ( <i>Figures in TPA</i> )                                 | 1,60,000                       | 1,25,000  | 1,25,000  | 1,25,000  |
| Rolling Capacity ( <i>Figures in TPA</i> )                                 | 1,50,000                       | 1,50,000  | 1,50,000  | 1,50,000* |

\* W.e.f. 1<sup>st</sup> January, 2014.

#### Proposed Capacity:

|                              | UOM  | Current Period Ended December 2016 | 2018     | 2019     | 2020     |
|------------------------------|------|------------------------------------|----------|----------|----------|
| Capacity - Billet Production | MTPA | 1,60,000                           | 1,60,000 | 1,60,000 | 1,80,000 |

## INTELLECTUAL PROPERTY RIGHTS

The word "VARDHMAN" along with its LOGO is a Registered Trade Mark and it is the registered property of Vardhman Holdings Ltd. a Company incorporated under Companies Act, 1956 having its registered office at Chandigarh Road, Ludhiana ("VHL"), one of the promoters of the Issuer / Company. The Company has entered into Registered User Agreement dated 24.03.2013 with VHL. Salient features of the said agreement are as under:

- The agreement is valid for 4 years or such extended period as agreed between the parties.
- The Company undertakes to pay royalty charges, yearly a sum of 0.015% of its annual turnover / sales subject to minimum of ₹ 12.50 lakhs plus service tax, payable thereon, to VHL for further period of 4 years i.e. from 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2016.
- The agreement between the parties shall remain valid and subsisting till new Agreement is executed between the parties.
- The permission shall apply to the product and/or goods manufactured of all kinds manufactured or produced by the Company provided that it complies with the standard of quality in material and workmanship set by VHL particulars of which shall, on the signing hereof, be disclosed in confidence to the Company ("Standard of Quality").

- e) The permission is personal to the Company and shall not extend to goods manufactured by another on behalf of the Company except where such goods are subjected to the sampling and testing hereinafter mentioned and otherwise are subjected to screening for compliance with the Standard of Quality.
- f) The product intended to be marked under the Registered Trade Mark which fail to attain the Standard of Quality shall be withdrawn from the production line and corrected or they carry no reference to the Registered Trade Mark.
- g) The Company shall not use in its business in relation to the field of this Agreement any other trade mark / trade marks, so resembling the Registered Trade Mark as to be likely to cause confusion or deception.
- h) The Company shall use the Trade Mark precisely as spelt or drawn by VHL and shall observe any reasonable directions given by VHL as to colors and size of the representation of the Trade Mark and the manner and disposition thereof on the products or the containers.
- i) The Company shall to the extent requested by VHL on all its invoices, quotations and other documents and on the products of their labels or container used in connection with the sales of the said goods include a notice to the effect that the Trade Mark is Registered Trade Mark of VHL and that the goods are manufactured to its specifications.
- j) The permitted use is not intended solely in relation to goods for exports from India. However, if any Indian purchaser would re-export such goods VHL would not object thereto.
- k) In the event that the Company learns of any passing off by any other of any goods of the same description as the said goods of VHL whether the use of a similar trade mark or limitation of the get up or otherwise, if the Company shall learn of any infringement of the Trade Mark, he shall notify VHL giving such details as may be available. The parties shall consult together as to the best course to pursue, but VHL shall not be bound to institute legal proceedings at its own expenses.
- l) On termination / expiration of the Agreement, the Company shall cease to have any right to use the Registered Trade Mark or to represent itself as being connected with the products or with VHL. The Company shall not thereafter use the Registered Trade as to be likely to deceive or cause confusion and it will produce that the director, officer and servants shall not use the Registered Trade Mark or any other Trade Mark so nearly resembles as aforesaid in respect of the said goods.

## PROPERTY

### *Land*

Our Company owns the following property on Freehold basis

| Description of Property  | Land Area          | Seller                                 | Date of Agreement |
|--|--------------------|--|-------------------|
| Land at C-58 Focal Point, Ludhiana                                   | 52048.60 sq. yards | PUDA                                   | 03-10-1973        |
| Land at C-58 Focal Point, Ludhiana                                   | 6.11 acres         | PUDA                                   | 25-05-1989        |
| Land at C-58 Focal Point, Ludhiana                                   | 7702 sq. yards     | G.S.Somal                              | 12-04-2004        |
| Land at C-58 Focal Point, Ludhiana                                   | 1.29 acres         | Irrigation Deptt. Ludhiana             | 13-05-1994        |
| Plot No. C-400, Pioneer Industrial Park, Pathredi, Bilaspur, Haryana | 4873.08            | Ansal Properties & Infrastructure Ltd. | 17-10-2011        |
| Plot No. C-401, Pioneer Industrial Park, Pathredi, Bilaspur, Haryana | 3540.24            | Ansal Properties & Infrastructure Ltd. | 17-10-2011        |

The details of the leasehold/leave and license properties are as under:-

| Location Of Property  | Documents       | Lessor/Licensor               | Tenure                   | Consideration Per Month (₹ In Lakhs) |
|---|-----------------|-------------------------------|--------------------------|--------------------------------------|
| Flat No. A-1, Floor-6 Cross Wind Apparments, Ferozpur Road, Ludhiana (Punjab) | Lease Agreement | Smt. Ramanjeet Kaur Ahluwalia | 01.08.2016 to 30.06.2017 | 0.44                                 |
| Houe No. 3755, Sector-32, Ludhiana (Punjab)                                   | Lease Agreement | Smt. Shubh Sharma             | 01.06.2016 to 30.04.2017 | 0.30                                 |

|  |                           |                               |                          |      |
|--|---------------------------|-------------------------------|--------------------------|------|
| Bommasandra Survey No. 10/1, Post Attibale Hobli - Anekal Taluk, Bangalore-560099 (Karnataka)      | Rental Agreement          | Mr. Sampangi Ram Reddy        | 01.05.2016 to 31.03.2017 | 0.34 |
| Gate No. 71, Group Grampanchayat Ghanegaon, Vitwa Naryangaon Khurd, Tal Gangapur Distt. Aurangabad | Leave & License Agreement | Mrs. Sunita Ganesh Gayke      | 01.10.2014 to 30.06.2017 | 0.22 |
| 4.Plot No.-17, SIDCO Womens Industrial Estate, Thrumullaivoyal (Chennai)                           | Lease Agreement           | M/s S.R Engineering           | 08.01.2014 to 07.01.2017 | 1.00 |
| Khasra No. 1050, Near Meerut Road, Ghaziabad   | Lease Deed                | Mr. Anurag Tyagi              | 01.08.2016 to 30.06.2017 | 0.55 |
|  |                           | Mr. Munesh Tyagi              |                          |      |
|  |                           | Mrs. Suman Tyagi              |                          |      |
| Village, Fauzi Matkota, Tehsil Kichha , Distt Udham Singh Nagar, (Uttarakhand)                     | Lease Deed                | Mr. Basan Kumar Chaudhry      | 15.02.2015 to 14.02.2018 | 0.33 |
| B-26 MIDC Industrial Area, Chakan, Pune- 410501 (Maharashtra)                                      | Leave & License Agreement | M/s Sudalloys Pvt. Ltd.       | 01.08.2016 to 30.06.2017 | 1.10 |
| Plot No. SPL-1 Industrial Area, Bhiwadi, Distt Alwar, (Rajasthan)                                  | Lease Agreement           | M/s Saharan Pulp & Board Mill | 01.03.2015 to 28.02.2017 | 0.39 |

Apart from the above, we have taken on lease a space in bonded warehouse located at Thailand where we keep finished goods for onward delivery to our customer(s) in order to reduce the lead time.

## INSURANCE

Our operations are subject to hazards inherent to a manufacturing company such as risk of equipment failure, work accidents, fire, earthquake, flood and other force majeure events.

We also maintain workmen's compensation policies wherever required as well as group personal accident policies for our permanent employees.

Although we consider our insurance coverage to be of a type and level that is economically prudent, we cannot assure that we will be able to maintain insurance at rate which we consider commercially reasonable or that such coverage will be adequate to cover all claims that may arise. The insurance policies in respect of our plant and machinery, stocks have been endorsed in favour of our lenders those have extended us finance.

Overall, we generally maintain insurance covering our assets and operations at levels that we believe to be appropriate for our business.

## KEY REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India and other regulatory bodies that are applicable to our business. The information detailed in this section has been obtained from the various legislations, including rules and regulations promulgated by the regulatory bodies and the bye laws of the respective local authorities that are available in the public domain. The regulations and policies set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice. For details of Government Approvals obtained by our Company in compliance with these regulations, please refer to the section titled “Government and Other Key Approvals” beginning on page 256 of this Draft Letter of Offer.*

### **Regulations governing Manufacturing Sector**

The primary central legislation governing the manufacturing sector is the Factories Act, 1948. In addition, compliance of various labour related legislations, including the Payment of Wages Act, 1956, The Minimum Wages Act, 1948, Equal Remuneration Act, Employees’ Compensation Act, 1923, Industrial Disputes Act, 1948, Payment of Gratuity Act, 1972, Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Bonus Act, 1965, as may be applicable in the relevant state.

#### **The Factories Act, 1948**

The Factories Act, 1948 (“**Factories Act**”) seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. The term ‘factory’, as defined under the Factories Act, means any premises which employs or has employed on any day in the previous 12 (twelve) months, 10 (ten) or more workers and in which any manufacturing process is carried on with the aid of power, or any premises wherein 20 (twenty) or more workmen are employed at any day during the preceding 12 (twelve) months and in which any manufacturing process is carried on without the aid of power. An occupier of a factory under the Factories Act, means the person who has ultimate control over the affairs of the factory. The occupier or manager of the factory is required to obtain a registration for the factory. The Factories Act also requires *inter alia* the maintenance of various registers dealing with safety, labour standards, holidays and extent of child labour including their conditions. Further, notice of accident or dangerous occurrence in the factory is to be provided to the inspector by the manager of the factory.

#### **Punjab Factories Rules, 1952**

The Punjab Factories Rules, 1952 (“**the Rules**”) seeks to regulate labour employed in factories in the state of Punjab and makes provisions for the inspection of staff, safety, health and welfare of the workers. Under the Rules, the occupier or manager of every factory is required to obtain previous permission for the construction or extension of a factory from the Chief Inspector of Factories. The occupier or manager is required to obtain certificate of stability and registration and notice of occupation for the factory. The Rules also *inter alia* require the maintenance of various registers dealing with health, holidays and extent of child labour, white washing, humidity, workers attending machinery. Further, notice of accident or dangerous occurrence in the factory is to be provided to the inspector by the manager of the factory.

#### **Contract Labour (Regulation and Abolition) Act, 1970**

The Contract Labour (Regulation and Abolition) Act, 1970 (“**CLRA**”) is an act to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances. The CLRA applies to every establishment in which 20 (twenty) or more workmen are employed or were employed on any day of the preceding 12 (twelve) months as contract labour. It also applies to every contractor who employs or who employed on any day of the preceding 12 (twelve) months, 20 (twenty) or more workmen provided that the appropriate Government may after giving not less than 2 (two) months’ notice, by notification in the Official Gazette, apply the provisions of the CLRA to any establishment or contractor. Further, it contains provisions regarding Central and State Advisory Board under the CLRA, registration of establishments, and prohibition of employment of contract labour in any process, operation or other work in any establishment by the notification from the State Board, licensing of contractors and welfare and health of the contract labour. The Contract Labour (Regulation and Abolition) Central Rules, 1971 are formulated to carry out the purpose of the CLRA.

#### **Punjab Contract Labour (Regulation and Abolition) Rules, 1973**

Punjab Contract Labour (Regulation and Abolition) Rules, 1973 requires the contractor to establish canteens, rest

rooms, drinking water, washing facilities, first aid facilities, and other facilities. Where the employment of any worker is terminated by or on behalf of the contractor, the wages earned by the worker shall be paid before the expiry of the second working day from the day on which his employment is terminated. Every employer shall maintain register of contractors and register of persons employed. The contractor is also required to issue an employment card to the employee and issue service certificate to the employee when he is terminated by the contractor for whatsoever reasons.

### **The Industrial Disputes Act, 1947 and Industrial Dispute (Central) Rules, 1957**

The Industrial Disputes Act, 1947 (“**ID Act**”) was enacted to make provision for investigation and settlement of industrial disputes and for other purposes specified therein. Workmen under the ID Act have been provided with several benefits and are protected under various labour legislations, whilst those persons who have been classified as managerial employees and earning salary beyond a prescribed amount may not generally be afforded statutory benefits or protection, except in certain cases. Employees may also be subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872. The ID Act also sets out certain requirements in relation to the termination of the services of the workman’s services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations up on retrenchment. The Industrial Dispute (Central) Rules, 1957 specify procedural guidelines for lock-outs, closures, lay-offs and retrenchment

### **The Employees’ Compensation Act, 1923**

The Employees’ Compensation Act, 1923 (“**EC Act**”) has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries caused by accident(s) arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The EC Act makes every employer liable to pay compensation in accordance with the EC Act if a personal injury/disablement/ loss of life is caused to a workman by accident arising out of and in the course of his employment. In case the employer fails to pay compensation due under the EC Act within 1 (one) month from the date it falls due, the commissioner appointed under the EC Act may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

### **The Employees State Insurance Act, 1948**

The Employees State Insurance Act, 1948 (“**ESI Act**”) provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. Employers of factories and establishments covered under the ESI Act are required to pay contributions to the Employees State Insurance Corporation, in respect of each employee at the rate prescribed by the Central Government. Companies which are controlled by the Government are exempt from this requirement if employees receive benefits similar or superior to the benefits prescribed under the ESI Act. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

### **The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952**

The Employees Provident Funds and Miscellaneous Provisions Act, 1952 (“**EPF Act**”) was introduced with the object to institute compulsory provident fund for the benefit of employees in factories and other establishments. The EPF Act provides for the institution of provident funds and pension funds for employees in establishments where more than 20 (twenty) persons are employed and factories specified in Schedule I of the EPF Act. Under the EPF Act, the Central Government has framed the "Employees Provident Fund Scheme", "Employees Deposit-linked Insurance Scheme" and the "Employees Family Pension Scheme". Liability is imposed on the employer and the employee to contribute to the funds mentioned above, in the manner specified in the statute. There is also a requirement to maintain prescribed records and registers and filing of forms with the concerned authorities. The EPF Act also prescribes penalties for avoiding payments required to be made under the abovementioned schemes.

### **Equal Remuneration Act, 1976**

Equal Remuneration Act, 1976 provides for payment of equal remuneration to men and women workers and for prevention discrimination, on the ground of sex, against female employees in the matters of employment and for matters connected therewith.

### **Maternity Benefit Act, 1961**

The purpose of Maternity Benefit Act, 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period before and after child birth. It provides, *inter-alia*, for payment of maternity benefits, medical bonus and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

### **The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (“**SHWW Act**”) provides for the protection of women at work place and prevention of sexual harassment at work place. The SHWW Act also provides for a redressal mechanism to manage complaints in this regard. Sexual harassment includes one or more of the following acts or behavior namely, physical contact and advances or a demand or request for sexual favors or making sexually coloured remarks, showing pornography or any other unwelcome physical, verbal or non-verbal conduct of sexual nature. The SHWW Act makes it mandatory for every employer of a workplace to constitute an Internal Complaints Committee, which shall always be presided upon by a woman. It also provides for the manner and time period within which a complaint shall be made to the Internal Complaints Committee i.e. a written complaint is to be made within a period of 3 (three) months from the date of the last incident. If the establishment has less than 10 (ten) employees, then the complaints from employees of such establishments as also complaints made against the employer himself shall be received by the Local Complaints Committee. The penalty for non-compliance with any provision of the SHWW Act shall be punishable with a fine extending to ₹ 50,000/-.

### **The Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 (“**PB Act**”) is applicable to every factory and every other establishment employing 20 (twenty) or more persons. According to the provisions of the PB Act, every employer shall be bound to pay to every employee in respect of the accounting year a minimum bonus which shall be 8.33% of the salary or wage earned by the employee during the accounting year or ₹100/- (Rupees One Hundred), whichever is higher, whether or not the employer has any allocable surplus in the accounting year. If the allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to maximum of 20% of such salary or wage. ‘Allocable surplus’ is defined as 67% of available surplus in the financial year, before making arrangements for the payment of dividend out of profit of our Company.

### **The Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 (“**MW Act**”) came in to force with the objective to provide for the fixation of a minimum wage payable by the employer to the employee. Under the MW Act, the appropriate government is authorised to fix the minimum wages to be paid to the persons employed in scheduled or non scheduled employment. Every employer is required to pay not less than the minimum wages to all employees engaged to do any work whether skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to the MW Act, in respect of which minimum rates of wages have been fixed or revised under the MW Act.

### **Minimum Wages (Punjab) Rules, 1950**

Minimum Wages (Punjab) Rules, 1950 (“**MWA Rules**”) was enacted to establish minimum wages for certain categories of employees. The MWA Rules require that wages should be fixed of the employee not exceeding 1 (one) month. The employer is required to make payment of wages to a worker on termination of his employment. The employer is required to give notices containing the minimum rates of wages and the name and address of the Inspector. The employer is required to pay extra wages for the overtime, maintain a register of wages and an inspection book.

### **The Payment of Gratuity Act, 1972**

The Payment of Gratuity Act, 1972 (“**PG Act**”) applies to every factory and shop or establishment in which ten or more employees are employed. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than 5 (five) years:

- a) On his/her superannuation;
- b) On his/her retirement or resignation;

- c) On his/her death or disablement due to accident or disease (in this case the minimum requirement of 5 (five) years does not apply).

Gratuity is payable to the employee at the rate of 15 (fifteen) days' wages for every completed year of service or part thereof in excess of 6 (six) months.

#### **The Payment of Wages Act, 1936**

The Payment of Wages Act, 1936 (“**PW Act**”) is applicable to the payment of wages to persons in factories and other establishments. PW Act ensures that wages that are payable to the employee are disbursed by the employer within the prescribed time limit and no deductions other than those prescribed by the law are made by the employer.

#### **Punjab Shops and Establishment Act, 1958**

The Punjab Shops and Establishment Act 1958 (“**MSE Act**”) regulates the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. Our Company has its Corporate and Head office at Vardhman Premises, Chandigarh Road, Ludhiana-141010, Punjab, India and accordingly the provisions of the PSE Act are applicable to our Company.

#### **The Petroleum Act, 1934**

The Petroleum Act, 1934 was passed to consolidate and amend the laws relating to the import, transport, storage, production, refining and blending of petroleum. Under the Petroleum Rules, 2002, any person intending to store furnace oil/petroleum Class C, in quantity exceeding 5000 litres otherwise than under a license shall take the approval of the Chief Controller before commencing storage.

#### **Trade Union Act, 1926**

The Trade Union Act, 1926 governs the disputes which arise/ may arise between employers and workmen or between workmen and workmen, or between employers and employees in connection to their employment, non-employment and the terms of employment or the conditions of labour. For the purpose of Trade Union Act, 1926, Trade Union means combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employees, or for imposing restrictive condition on the conduct of any trade or business etc.

#### **Indian Boilers Act, 1923**

The Indian Boilers Act, 1923 was enacted with the objective to provide mainly for the safety of life and property of persons from the danger of explosions of steam boilers and for achieving uniformity in registration and inspection during operation and maintenance of boilers in India. Every boiler owner is required to make an application to the Chief Inspector of Boilers for the inspection of the boiler every year.

#### **Indian Explosive Act, 1984**

Indian Explosive Act, 1984 to regulate the manufacture, possession, use, sale & transport of explosives. Persons are required to obtain a license as per conditions laid down in the Act/ Rules.

#### **Employment Exchange (Compulsory notification of vacancies) Act, 1959**

The Employment Exchange (Compulsory notification of vacancies) Act, 1959 - The Act provide for the compulsory notification of vacancies to the Employment Exchanges. The employers are required to furnish information & return under the Act.

#### **Employers' Liability Act, 1938**

Employers' Liability Act, 1938 was enacted with the objective of ruling out certain defenses arising out of injuries sustained by workmen. This safeguards the interests of the employers and for the protection of workmen who bring suit for damages for injuries endured by them.

### **Child Labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition and Regulation) Act, 1986. The main objective of the act is to prohibit the engagement of children in certain employments and to regulate the conditions of work or children in certain other employments. The act defines a child as any person who has not completed his fourteenth year of age. The act prohibits children from working in any occupation listed in Part A of the Schedule; for example: Catering at railway establishments, construction work on the railway or anywhere near the tracks, plastics factories, automobile garages, etc The act also outlines the conditions in which children may work in certain occupations/processes.

### **Industrial Employment (Standing orders) Act, 1946**

The Industrial Employment (Standing orders) Act, 1946 - The employers of industrial establishments are required to define with sufficient precision the conditions of employment and to make the said conditions known to the workmen. The standing orders are certified by the Labour Commissioner.

### **Environmental Regulations**

Our Company is also required to obtain clearances under the Environment (Protection) Act, 1986, and other environmental laws such as the Water (Prevention and Control of Pollution) Act, 1974, the Water (Prevention and Control of Pollution) Cess Act, 1977 and the Air (Prevention and Control of Pollution) Act, 1981, before commencing its operations. To obtain an environmental clearance, a no-objection certificate from the concerned state pollution control board must first be obtained, which is granted after a notified public hearing, submission and approval of an environmental impact assessment (“EIA”) report and an environment management plan (“EMP”).

Our Company must also comply at all times with the provisions of The Hazardous Waste (Management and Handling) Rules, 1989, as amended, and as superseded by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, and the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989.

### **Environment Protection Act, 1986 and Environment (Protection) Rules, 1986**

The Environmental Protection Act, 1986 is an "umbrella" legislation designed to provide a framework for co-ordination of the activities of various central and state authorities established under various laws. The potential scope of the Act is broad, with "environment" defined to include water, air and land and the interrelationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

#### **Water**

Legislations to control water pollution are listed below:

The *Water (Prevention and Control of Pollution) Act, 1974* prohibits the discharge of pollutants into water bodies beyond a given standard, and lays down penalties for non-compliance. The Water Act also provides that the consent of the State Pollution Control Board must be obtained prior to opening of any new outlets or discharges, which is likely to discharge sewage or effluent.

The *Water (Prevention and Control of Pollution) Cess Act, 1977* provides for the levy and collection of a cess on water consumed by persons carrying on certain industries and by local authorities, with a view to augment the resources of the Central Board and the State Boards for the prevention and control of water pollution constituted under the Water (Prevention and Control of Pollution) Act, 1974.

#### **Air**

Legislations to control air pollution are listed below:

The *Air (Prevention and Control of Pollution) Act, 1981* requires that any individual or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any activity. National Ambient Air Quality Standards (NAAQS) for major pollutants were notified by the Central Pollution Control Board in April 1994.

## **Hazardous Wastes**

There are several legislations that directly or indirectly deal with hazardous wastes. The relevant legislations are:

- The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008
- The Public Liability Insurance Act, 1991
- The National Environment Tribunal Act, 1995 and some notifications under the Environmental Protection Act of 1986.
- The E-waste (Management and Handling) Rules, 2011

### **Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008**

These rules require that the occupier and the operator of the facility, that treats hazardous wastes, must properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. The Electric Arc Furnace dust is disposed at Treatment Storage Disposal Site (TSDF) as per Hazardous Waste Management Rules.

## **Tax Related Legislations**

### **The Central Sales Tax Act, 1956**

Central Sales tax (“CST”) is levied on the sale of movable goods in the course of inter-state trade or commerce. In India, sales tax is levied both at the union level under the Central Sales Tax Act, 1956 as well as the state level under the respective state legislation. Goods sold within the jurisdiction of the state are charged to Value Added Tax (“VAT”) in accordance with the VAT statute of that state.

CST is payable by a dealer (i.e. a person who carries on the business of buying, selling, supplying or distributing goods) on his sales turnover at the rate prescribed in the VAT statute of the State from where the movement of the goods originate. However, a dealer is entitled to a concessional rate of 2% CST on goods which are sold to another registered dealer who intends to further re-sell them or use them in the manufacture or processing for further sale or for certain other specified purposes, subject to the condition that purchasing dealer issues a statutory Form C to the selling dealer.

### **Value Added Tax**

Value Added tax (“VAT”) is a system of multi-point levies on each of the purchases in the supply chain with the facility of set-off input tax on sales whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period.

VAT is a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each State that has introduced VAT has its own VAT Act under which persons liable to pay VAT must register and obtain a registration number from the Sales Tax Officer of the respective State.

The Punjab Value Added Tax Act, 2005, and rules and regulations thereunder, are applicable to our establishment.

### **Income-tax Act, 1961**

Income-tax Act, 1961 (“IT Act”) is applicable to every company, whether domestic or foreign whose income is taxable under the provisions of this Act or Rules made there under depending upon its ‘Residential Status’ and ‘Type of Income’ involved. Every assessee, under the IT Act, which includes a company, is required to comply with the provisions thereof, including those relating to tax deduction at source, advance tax, minimum alternative tax and like.

### **The Customs Act, 1962**

The provisions of the Customs Act, 1962 and Rules made there under are applicable at the time of import of goods into India from a place outside India or at the time of export of goods out of India to a place outside India. Any company requiring to import or export any goods is required to get itself registered under this Act and obtain an Importer Exporter Code number.

## **The Central Excise & Tariff Act, 1985 and Rules made there under**

The provisions of the Central Excise & Tariff Act, 1985 (the “CETA”) provides for tariff rates for excise duties payable. Excise duty is imposed on goods produced or manufactured in India under the provisions of CETA.

### **Service Tax**

Chapter V of the Finance Act, 1994 as amended, provides for the levy of a service tax in respect of ‘taxable services’, defined therein. The service provider of taxable services is required to collect service tax from the recipient of such services and pay such tax to the Government. Vide Notification No. 30/2012-Service Tax dated June 20, 2012, the liability to pay service tax in respect of certain taxable services, as specified therein, has shifted from the person who provides the service, to the person who receives the service. Every person who is liable to pay service tax must register himself with the appropriate authorities. According to Rule 6 of the Service Tax Rules, 1994, every assessee is required to pay service tax in TR 6 challan by the 6<sup>th</sup> of the month immediately following the month to which it relates. Further, under Rule 7 (1) of Service Tax Rules, 1994, our Company is required to file a quarterly return in Form ST 3 by the 25<sup>th</sup> of the month immediately following the half year to which the return relates. Every assessee is required to file the quarterly return electronically.

### **Professional Tax**

The professional tax slabs in India are applicable to those citizens of India who are either involved in any profession or trade. The State Government of each State is empowered with the responsibility of structuring as well as formulating the respective professional tax criteria and is also required to collect funds through professional tax. The professional taxes are charged on the incomes of individuals, profits of business or gains in vocations. The professional tax is charged as per the List II of the Constitution. The professional taxes are classified under various tax slabs in India. The tax payable under the State Acts by any person earning a salary or wage shall be deducted by his employer from the salary or wages payable to such person before such salary or wages is paid to him, and such employer shall, irrespective of whether such deduction has been made or not when the salary and wage is paid to such persons, be liable to pay tax on behalf of such person and employer has to obtain the registration from the assessing authority in the prescribed manner. Every person liable to pay tax under these Acts (other than a person earning salary or wages, in respect of whom the tax is payable by the employer), shall obtain a certificate of enrolment from the assessing authority.

### **Goods & Service Tax**

Goods & Service Tax (the ‘GST’): The Government of India has made the amendment in the Constitution of India empowering the Centre Govt. for making the law on GST. Accordingly, the Centre Govt. has come out with the Draft GST Law which will be passed by the appropriate authority and will be applicable from the date to be notified by the Government. With the implementation of GST, various taxes such as VAT, CST, Excise, Service Tax etc will be subsumed in the GST.

### **Other Legislations**

#### **Transfer of Property Act, 1882**

The transfer of property, including immovable property, between living persons, as opposed to the transfer property by operation of law, is governed by the Transfer of Property Act, 1882 (“**T.P. Act**”). The T.P. Act establishes the general principles relating to the transfer of property, including among other things, identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property. Transfer of property is subject to stamping and registration under the specific statutes enacted for the purposes which have been dealt with hereinafter.

The T.P. Act recognizes, among others, the following forms in which an interest in an immovable property may be transferred:

- Sale: The transfer of ownership in property for a price paid or promised to be paid.
- Mortgage: The transfer of an interest in property for the purpose of securing the payment of a loan, existing or future debt, or performance of an engagement which gives rise to a pecuniary liability. The T.P. Act recognises several forms of mortgages over a property.
- Charges: Transactions including the creation of security over property for payment of money to another

which are not classifiable as a mortgage. Charges can be created either by operation of law, e.g. decree of the court attaching to specified immovable property, or by an act of the parties.

- Leases: The transfer of a right to enjoy property for consideration paid or rendered periodically or on specified occasions.
- Leave and License: The transfer of a right to do something upon immovable property without creating interest in the property.

Further, it may be noted that with regards to the transfer of any interest in a property, the transferor transfers such interest, including any incidents, in the property which he is capable of passing and under the law, he cannot transfer a better title than he himself possesses.

### **The Registration Act, 1908**

The Registration Act, 1908 was passed to consolidate the enactments relating to the registration of documents. The main purpose for which the Act was designed was to ensure information about all deals concerning land so that correct land records could be maintained. The Act is used for proper recording of transactions relating to other immovable property also. The Act provides for registration of other documents also, which can give these documents more authenticity. Registering authorities have been provided in all the districts for this purpose.

### **The Indian Stamp Act, 1899**

The Indian Stamp Act, 1899 prescribes the rates for the stamping of documents and instruments by which any right or liability is, or purports to be, created, transferred, limited, extended, extinguished or recorded. Under the Indian Stamp Act, 1899, an instrument not 'duly stamped' cannot be accepted as evidence by civil court, an arbitrator or any other authority authorised to receive evidence. However, the document can be accepted as evidence in criminal court.

### **Punjab Stamp Rules, 1934**

The Punjab Stamp Rules, 1934 (**'Punjab Stamp Rules'**) prescribes the different rates of duties on the instrument falling within the various descriptions set-out in the Punjab Stamp Rules.

### **The Indian Contract Act, 1872**

The Indian Contract Act, 1872 (**'Contract Act'**) codifies the way in which a contract may be entered into, executed, implementation of the provisions of a contract and effects of breach of a contract. A person is free to contract on any terms he chooses. The Contract Act consists of limiting factors subject to which contract may be entered into, executed and the breach enforced. It provides a framework of rules and regulations that govern formation and performance of contract. The contracting parties themselves decide the rights and duties of parties and terms of agreement.

### **The Specific Relief Act, 1963**

The Specific Relief Act is complimentary to the provisions of the Contract Act and the T.P. Act, as the Act applies both to movable property and immovable property. The Act applies in cases where the Court can order specific performance of a contract. Specific relief can be granted only for purpose of enforcing individual civil rights and not for the mere purpose of enforcing a civil law. 'Specific performance' means Court will order the party to perform his part of agreement, instead of imposing on him any monetary liability to pay damages to other party.

### **Competition Act, 2002**

The Competition Act, 2002 (**"Competition Act"**) aims to prevent anti-competitive practices that cause or are likely to cause an appreciable adverse effect on competition in the relevant market in India. The Competition Act regulates anti- competitive agreements, abuse of dominant position and combinations. The Competition Commission of India (**"Competition Commission"**) which became operational from May 20, 2009 has been established under the Competition Act to deal with inquiries relating to anti-competitive agreements and abuse of dominant position and regulate combinations. The Competition Act also provides that the Competition Commission has the jurisdiction to inquire into and pass orders in relation to an anti-competitive agreement, abuse of dominant position or a combination, which even though entered into, arising or taking place outside India or

signed between one or more non-Indian parties, but causes an appreciable adverse effect in the relevant market in India.

### **The Companies Act, 1956**

The Companies Act, 1956 deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Act primarily regulates the formation, financing, functioning and winding up of companies. The Companies Act, 1956 prescribes regulatory mechanism regarding all relevant aspects, including organizational, financial and managerial aspects of companies. It deals with issue, allotment and transfer of securities and various aspects relating to company management. It provides for standard of disclosure in public issues of capital, particularly in the fields of company management and projects, information about other listed companies under the same management, and management perception of risk factors. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act, 1956 plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

### **The Companies Act, 2013**

The Companies Act, 2013, has been introduced to replace the existing Companies Act, 1956 in a phased manner. The Ministry of Corporate Affairs, has also issued rules complementary to the Companies Act, 2013 establishing the procedure to be followed by companies in order to comply with the substantive provisions of the Companies Act, 2013.

### **The Trademarks Act, 1999**

Under the Trademarks Act, 1999 (“**Trademarks Act**”), a trademark is a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others used in relation to goods and services to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A ‘mark’ may consist of a device, brand, heading, label, ticket, name signature, word, letter, numeral, shape of goods, packaging or combination of colors or any combination thereof. Section 18 of the Trademarks Act requires that any person claiming to be the proprietor of a trade mark used or proposed to be used by him, must apply for registration in writing to the registrar of trademarks. The trademark, once applied for and which is accepted by the Registrar of Trademarks (“**the Registrar**”), is to be advertised in the trademarks journal by the Registrar. Oppositions, if any, are invited and, after satisfactory adjudications of the same, a certificate of registration is issued by the Registrar. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is 10 (ten) years, which may be renewed for similar periods on payment of a prescribed renewal fee.

### **The Copyright Act, 1957**

The Copyright Act, 1957 (“**Copyright Act**”) grants protection to the authors of literary, artistic, dramatic, musical, photographic, cinematographic or sound recording works from unauthorized uses. Various rights including ownership and economic rights are conferred on the author. These include the right to reproduce the work in any form, issue copies to the public, perform it, and offer for sale and hire. The penalty for general infringement of copyright is imprisonment of maximum 3 (three) years and a fine of up to ₹2,00,000/-.

## **REGULATIONS REGARDING FOREIGN INVESTMENT**

Foreign investment in companies in the alloy steel manufacturing industry is governed by the provisions of the Foreign Exchange Management Act, 1999 (“**FEMA**”) read with the applicable regulations. The Department of Industrial Policy and Promotion (“**DIPP**”), Ministry of Commerce and Industry has issued the Consolidated FDI Policy (the “**FDI Circular**”) which consolidates the policy framework on Foreign Direct Investment (“**FDI**”), with effect from May 12, 2015. The FDI Circular consolidates and subsumes all the press notes, press releases, and clarifications on FDI issued by DIPP till May 11, 2015. All the press notes, press releases, clarifications on FDI issued by DIPP till May 11, 2015 stand rescinded as on May 12, 2015.

Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made. Under the approval route, prior approval of the Government of India through FIPB is required. FDI for the

items or activities that cannot be brought in under the automatic route may be brought in through the approval route. Where FDI is allowed on an automatic basis without the approval of the FIPB, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The RBI, in exercise of its power under the FEMA, has also notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India.

The Consolidated FDI Circular dated May 12, 2015 issued by the DIPP does not prescribe any cap on the foreign investments in the sector in which the Company operates. Therefore, foreign investment up to 100% is permitted in the Company under the automatic route. No approvals of the FIPB or the RBI are required for such allotment of equity Shares under this Issue. The Company will be required to make certain filings with the RBI after the completion of the Issue.

**RBI has also issued Master Circular on Foreign Investment in India dated July 01, 2016. In terms of the Master Circular, an Indian company may issue fresh shares to persons resident outside India (who are eligible to make investments in India, for which eligibility criteria are as prescribed). Such fresh issue of shares shall be subject to inter-alia, the pricing guidelines prescribed under the Master Circular. As mentioned above, the Indian company making such fresh issue of shares would be subject to the reporting requirements, inter-alia with respect to consideration for issue of shares and also subject to making certain filings including filing of Form FC-GPR.**

## HISTORY AND CORPORATE STRUCTURE

### History and Background

Vardhman Special Steels Limited (Our Company) was incorporated on May 14, 2010, as a Public Limited Company under the provisions of the Companies Act, 1956 and subsequently received its certificate of commencement of business on June 15, 2010. In the year 2011 pursuant to Scheme of Arrangement & Demerger between Vardhman Textiles Limited and Vardhman Special Steels Limited as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh under Section 391-394 of Companies Act, 1956 dated January 12, 2011, the Steel business undertaking of Vardhman Textiles Limited got vested in our Company w.e.f. January 01, 2011.

Presently, the Company is mainly engaged in the manufacturing of Billet, Steel bars and rods and bright bars of various categories of Special and alloy steels.

### Corporate Structure of our Company

Our Company does not have any subsidiary/ holding/ associate company.

### Main Objects of our Company

The main objects of our Company as contained in its Memorandum of Association are:

*“To manufacture, trade & export all kinds of steel including stainless steel, sponge iron, auto components, wire rods, engage in mining activities and for such purposes to set up steel furnaces.”*

### Amendments to our Memorandum and Articles of Association

Since our incorporation, the following changes have been made to our Memorandum and Articles of Association:

| Date of Shareholder's meeting | Type of Meeting | Nature of Amendments   | Details of Amendments  |
|-------------------------------|-----------------|--|--|
| December 13, 2010             | EGM             | Increase in share capital of the Company   | Authorized Share Capital of the Company has been increased from existing ₹ 5,00,00,000/- (Rupees Five Crore) divided into 50,00,000 (Fifty Lakhs) Equity Shares of ₹ 10/- each to ₹35,00,00,000/- (Rupees Thirty Five Crore) divided into 3,50,00,000 (Three Crore Fifty Lakhs) Equity Shares of ₹10/- each.   |
| September 24, 2014            | AGM             | Adoption of new set of Articles of Association as per provisions of New Companies Act, 2013. | New sets of Articles of Association adopted by Company under Companies Act, 2013.  |
| September 28, 2016            | AGM             | Increase in share capital of the Company   | Authorized Share Capital of the Company has been increased from existing ₹ 35,00,00,000/- (Rupees Thirty Five Crore) divided into 3,50,00,000 (Three Crore Fifty Lakhs) Equity Shares of ₹ 10/- each to ₹60,00,00,000/- (Rupees Sixty Crore) divided into 6,00,00,000 (Six Crore) Equity Shares of ₹10/- each. |

### Major Events of the Steel business of the Group

| Year | Event  |
|------|--|
| 1973 | Commissioning of Oswal Steels at Faridabad, with an initial capacity to produce 50,000 metric tonnes of special & alloy steels. The unit was then part of Vardhman Spinning and General Mills Limited (VSGML).                     |
| 1988 | Mohta Industries Limited (MIL) was takenover by MSML and then amalgamated with MSML. As a result, the unit of MIL situated at Ludhiana got merged into MSML increasing the installed capacity to 1,00,000 metric tonnes per annum. |

|      |  |
|------|--|
| 1994 | VSGML sold Oswal Steels, Faridabad to Mahavir Spinning Mills Limited (MSML)  |
| 1995 | Installation of an ultra-modern Steel Melting Shop comprising of a 30 ton UHP Electric Arc Furnace and a 9/6 meter Bloom Caster with Electromagnetic Stirrer.  |
| 2000 | Vacuum Degassing (V.D) System capable of reaching a vacuum of less than 1.0 millibar was commissioned, further improving the manufacturing capabilities of the unit.   |
| 2001 | Product portfolio was strengthened with addition of Bright Bar Facility  |
| 2010 | Incorporation of Vardhman Special Steels Limited as separate Company.  |
| 2011 | Demerger of Steel business undertaking of Vardhman Textiles Limited into Vardhman Special Steels Limited w.e.f January 01, 2011, as sanctioned by the Hon'ble High Court of Punjab & Haryana, Chandigarh vide its order dated January 12, 2011.  |
| 2011 | Pursuant to demerger, the paid up capital of the Company increased with the issue of 57,75,000 and 1,27,30,376 new equity shares January 01, 2011 and April 08, 2011 respectively.   |
| 2012 | Listing of the Equity Shares of our Company on the BSE and NSE   |
| 2014 | Old Rolling Mill having capacity of 70,000 TPA was replaced with new state of art technology from Morgadshammer, Sweden. With the installation of this new Rolling Mill on 01.01.2014, the capacity of the Rolling Mill has increased to 1,50,000 TPA. Also installed Magnaflux leakage testing system (Dr.Foerster Germany), and Ultrasonic Testing from (Olympus, Canada). |
| 2015 | Expansion of the Bright Bar Shop was done by putting additional capacity of 10,000 MTs per month. With the commission of this expansion in July, 2015 the capacity of the Bright Bar Shop increased from 15,000 MT per month to 25,000 MTs per month.  |
| 2016 | Modernization and revamping of Steel Melting Shop. With the replacement of existing 20 MVA transformer with new 25 MVA transformer, addition of new 70/20 EOT crane, electrode regulation system and other modifications at Continuous Casting Machine, the capacity of melting shop has increased from 1,25,000 TPA to 1,60,000 TPA.  |

### Infrastructure

The Company has only one manufacturing facility situated at C-58, Focal Point, Ludhiana – 141 010.

We also own a warehouse situated at Plot No. C-400, Pioneer Industrial Park, Pathredi, Bilaspur, Gurgaon, Haryana. We have also leased warehouses across India. We also have one warehouse situated at Bangkok, Thailand. It is a Bonded warehouse being managed by Third Party Logistics Providers.

### Our Shareholders

As on December 31, 2016, the total number of holders of Equity Shares is 16,409. For further details of our share holding pattern, please see "Capital Structure" on page 48 of the Draft Letter of Offer

### Revaluation of Assets

Our Company has not revalued its fixed assets since incorporation.

### Issuance of Equity or Debt

Other than as information disclosed in "Capital Structure" on page 48 of the Draft Letter of Offer, our Company has not issued any capital in the form of equity or debt. For details on the description of our Company's activities, the growth of our Company, please see "Business Overview", "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Basis of Issue Price" on pages 88, 222 and 76 of this Draft Letter of Offer.

### Awards, Achievements and Certifications

Our Company has received the following awards/certifications in the past:

1. Ranked amongst one of the 50 "Best places to work with" in a survey conducted by "Great Place to work Institute" in collaboration with the Economic Times. The Company won this recognition in below 1000 employee's category.

2. Best Supplier award from-
  - a. M/s Woosu Automotive India Pvt. Ltd., Kolkata
  - b. M/s Varroc Engineering Pvt Ltd., Pantnagar
  - c. M/s Somic ZF components Ltd., Gurgaon

**Changes in the activities of our Company during the last five years**

Since inception, there has been no change in the activities of our Company.

**Defaults or Rescheduling of borrowings with financial institutions/ banks**

Our Company had not defaulted in the repayment of any loan.

**Unavailed loans**

On successful completion of the Issue, our Company may get the unavailed term loan of ₹ 4,500 lakhs from Yes Bank cancelled.

**Lock-out or strikes or shutdown**

There has not been any lock-out or strikes in the Company since inception. There have not been any major shutdowns except some planned shutdowns during installation of New Rolling Mill and during other revamping and modernizations activities undertaken by the Company from time to time.

**Business Acquisitions**

As on the date of the Draft Letter of Offer, our Company has not made any business acquisitions.

**Subsidiaries**

As on the date of the Draft Letter of Offer, our Company does not have any subsidiaries.

**Shareholders' Agreement**

As on the date of the Draft Letter of Offer, our Company has not entered into any shareholders' agreement.

**Material Agreements**

There are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us.

**Strategic Partners**

As on the date of the Draft Letter of Offer, our Company does not have any strategic partners.

**Financial Partners**

As on the date of the Draft Letter of Offer, apart from the various arrangements with bankers and lenders which our Company undertakes in the ordinary course of business, our Company does not have any other financial partners.

## OUR MANAGEMENT

### Board of Directors

In accordance with the Articles and subject to the provisions of the Companies Act and the Listing Regulations, we currently have 9 (nine) Directors on our Board, comprising of 1 (one) Managing Director, 3 (three) Non-Executive Non-Independent Directors and 5 (five) Independent Directors.

The Board of Directors of our Company comprises of the following members:

| #  | Name, Age, Address, Occupation, DIN and Nationality  | Designation and Term   | Other Directorships   |
|----|--|--|---|
| 1. | <p>Mr. Prafull Anubhai</p> <p><b>Age:</b> 78 years</p> <p><b>Address:</b> Pathik 9, Shitalbaug Society, Paldi, Ahmedabad – 380 007, India.</p> <p><b>Occupation:</b> Business Consultant</p> <p><b>DIN:</b> 00040837</p> <p><b>Nationality:</b> Indian</p>                             | <p><b>Designation:</b> Non-Executive Chariman and Independent Director</p> <p><b>Term:</b> 3 years<br/>From 4<sup>th</sup> AGM to 7<sup>th</sup> AGM</p>   | <p>1. Vardhman Textiles Limited;</p> <p>2. Unichem laboratories Limited;</p> <p>3. Gruh Finance Limited;</p> <p>4. Center for Study of Science, Technology and Policy;</p> <p>5. Botil Oil Tools (India) Private Limited;</p> <p>6. Birla Sun Life Trustee Company Private Limited.</p>   |
| 2. | <p>Mr. Sachit Jain</p> <p><b>Age:</b> 50 years</p> <p><b>Address:</b> H. No. 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana, India.</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00746409</p> <p><b>Nationality:</b> Indian</p>                     | <p><b>Designation:</b> Managing Director</p> <p><b>Term:</b> 5 years.<br/>From 01.04.2015 to 31.03.2020</p>  | <p>1. Vardhman Textiles Limited;</p> <p>2. Vardhman Acrylics Limited;</p> <p>3. Vardhman Holdings Limited;</p> <p>4. Vardhman Nisshinbo Garments Company Limited;</p> <p>5. UTI Asset Management Company Limited;</p> <p>6. The Alloy Steel Producers Association of India;</p> <p>7. Mahavir Spinning Mills Private Limited;</p> <p>8. Devakar Investment &amp; Trading Company Private Limited.</p> |
| 3. | <p>Mrs. Suchita Jain</p> <p><b>Age:</b> 48 years</p> <p><b>Address:</b> H. No. 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana – 141 010, Punjab, India.</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00746471</p> <p><b>Nationality:</b> Indian</p> | <p><b>Designation:</b> Non-Executive and Non-Independent Director</p> <p><b>Term:</b> No specific term. The director is however liable to retire by rotation as per section 152(6) of the Companies Act, 2013.</p> | <p>1. Vardhman Textiles Limited;</p> <p>2. Vardhman Holdings Limited;</p> <p>3. Vardhman Spinning and General Mills Ltd.;</p> <p>4. VTL Investments Limited;</p> <p>5. Santon Finance &amp; Investment Company Limited;</p> <p>6. Flamingo Finance &amp; Investment Company</p>   |

|    |   |  |  |
|----|---|--|--|
|    |   |  | Limited;<br>7. Ramaniya Finance & Investment Company Limited.  |
| 4. | <p>Mr. Rajinder Kumar Jain</p> <p><b>Age:</b> 77 years</p> <p><b>Address:</b> B-708, Rail Vihar, Sector 15-II, Gurgaon-100 221, Haryana, India.</p> <p><b>Occupation:</b> Retired General Manager, Indian Railways.</p> <p><b>DIN:</b> 00046541</p> <p><b>Nationality:</b> Indian</p> | <p><b>Designation:</b> Non-Executive and Non-Independent Director</p> <p><b>Term:</b> No specific term. The director is however liable to retire by rotation as per section 152(6) of the Companies Act, 2013.</p> | Nil  |
| 5. | <p>Mr. B.K. Choudhary</p> <p><b>Age:</b> 65 years</p> <p><b>Address:</b> H.No.-1099, Sector-14, Faridabad – 121 007, Haryana, India</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00307110</p> <p><b>Nationality:</b> Indian</p>                                    | <p><b>Designation:</b> Non-Executive and Non-Independent Director</p> <p><b>Term:</b> No specific term. The director is however liable to retire by rotation as per section 152(6) of the Companies Act, 2013.</p> | <p>1. Vardhman Acrylics Limited;</p> <p>2. Narmada Clean Tech Limited.</p>   |
| 6. | <p>Mr. Jayant Davar</p> <p><b>Age:</b> 55 years</p> <p><b>Address:</b> 50 Sultanpur Farms, Prakrti Marg, Mehrauli Gurgaon Road, Delhi – 110 030, India</p> <p><b>Occupation:</b> Industrialist</p> <p><b>DIN:</b> 00100801</p> <p><b>Nationality:</b> Indian</p>                      | <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> 3 years<br/>From 4<sup>th</sup> AGM to 7<sup>th</sup> AGM</p>  | <p>1. Sandhar Technologies Limited;</p> <p>2. KDB Investments Private Limited;</p> <p>3. Sandhar Infosystems Limited;</p> <p>4. Sandhar Tooling Private Limited;</p> <p>5. SLD Auto Ancillary Limited;</p> <p>6. Haridwar Estates Private Limited;</p> <p>7. Raasaa Retail Private Limited;</p> <p>8. Jagaran Prakashan Limited.</p> |
| 7. | <p>Mr. Rajeev Gupta</p> <p><b>Age:</b> 58 years</p> <p><b>Address:</b> Krishna Kutir, Ground Floor, 28 Union Park, Khar (West) Mumbai – 400 052, India</p> <p><b>Occupation:</b> Business Executive</p> <p><b>DIN:</b> 00241501</p>   | <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> 3 years<br/>From 4<sup>th</sup> AGM to 7<sup>th</sup> AGM</p>  | <p>1. Cosmo Films Limited;</p> <p>2. EIH Limited;</p> <p>3. VIP Industries Limited;</p> <p>4. Arpwood Capital Private Limited;</p> <p>5. TVS Capital Funds Limited;</p> <p>6. United Spirits Limited;</p> <p>7. TV Today Network Limited</p>   |

|    |   |  |   |
|----|---|--|---|
|    | <b>Nationality:</b> Indian  |  |   |
| 8. | <p>Mr. Sanjeev Pahwa</p> <p><b>Age:</b> 50 years</p> <p><b>Address:</b> B 20/3, 192 Gurdev Nagar, Pakhowal Road, Ludhiana – 141 002, India</p> <p><b>Occupation:</b> Industrialist</p> <p><b>DIN:</b> 00022674</p> <p><b>Nationality:</b> Indian</p>                                  | <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> 3 years<br/>From 4<sup>th</sup> AGM to 7<sup>th</sup> AGM</p>  | <p>1. Ralson India Limited;</p> <p>2. Ram Commercial Enterprises Limited;</p> <p>3. Kosani Finance &amp; Investments Private Limited;</p> <p>4. Shivansi Investments Private Limited;</p> <p>5. Ralco Finance &amp; Investments Private Limited;</p> <p>6. Ralco Tyres Private Limited;</p> <p>7. Ralson Communication Technologies Private Limited</p> |
| 9. | <p>Mr. Sanjoy Bhattacharyya</p> <p><b>Age:</b> 56 years</p> <p><b>Address:</b> 76-B, Jayant Appartments, Appa Saheb Marathe Marg, Prabhadevi, Mumbai – 400 025, India</p> <p><b>Occupation:</b> Business Consultant</p> <p><b>DIN:</b> 00059480</p> <p><b>Nationality:</b> Indian</p> | <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> 5 years<br/>From 6<sup>th</sup> AGM to 11<sup>th</sup> AGM</p> | <p>1. Management Structure &amp; Systems Private Limited;</p> <p>2. IRIS Business Services Limited.</p>   |

#### Brief Biographies of the Directors

**Mr. Prafull Anubhai**, aged 78 years is Non-Executive Chairman and an Independent Director of our Company. He holds a Bachelor's degree in Commerce and is B.Sc (Economics Honours) from London University. He is a Business Consultant having experience of more than 43 years. He is associated with educational and research institutions like Indian Institute of Management (IIM, Ahmedabad), Ahmedabad Education Society (AES), Ahmedabad University, CSTEP (Centre for Science Technology and Policy), ATIRA etc. He is the Chairman of the Board of Management of the Ahmedabad University. He is the member of the Governing Board of Ahmedabad Education Society.

**Mr. Sachit Jain**, aged 50 years, is the Managing Director of our Company. He holds degree in B. Tech (Electrical) from IIT, New Delhi and MBA (Gold medalist) from IIM, Ahmedabad. He has also studied Financial Management from Stanford, USA. He had started his professional career with Hindustan Lever in 1989 before he joined Vardhman Group. He has a rich experience of over 26 years in the Textile and Steel Industry.

**Mrs. Suchita Jain**, aged 48 years is a Non-Executive and Non-Independent Director of our Company. She holds degree in Masters in Commerce from Panjab University Chandigarh. She is having experience of more than 23 years in Textiles Industry. She was instrumental in starting Fabric manufacturing (both grey and processed) in group company Vardhman Textiles Limited.

**Mr. Rajinder Kumar Jain**, aged 77 years is a Non-Executive and Non-Independent Director of our Company. He holds degree in Chartered Mechanical Engineer from London University. He retired as General Manager from Indian Railways after 35 years of service.

**Mr. B.K. Choudhary**, aged 65 years is a Non-Executive and Non-Independent Director of our Company. He

holds degree in B.Sc., M.Com and M.B.A. He has a rich experience of more than 43 years in Steel & Textiles Industry. He is Managing Director of Vardhman Acrylics Limited and also looks after one of the integrated Textile Unit of Vardhman Textiles Limited, namely, Vardhman Fabrics, Budhni.

**Mr. Jayant Davar**, aged 55 years is an Independent Director of our Company. He is a Mechanical Engineer and has an experience of more than 29 years in the Auto Industry. He is Chairman-cum-Managing Director of Sandhar Technologies Limited.

**Mr. Rajeev Gupta**, aged 58 years is an Independent Director of our Company. He is B. Tech from BHU/IIT, Varanasi and M.B.A. from IIM, Ahmedabad. He has an experience of more than 34 years in manufacturing, investment banking and private equity. He has set up M&A Investment Banking Firm Arpwood Capital Ltd and Arpwood Partners, LLP.

**Mr. Sanjeev Pahwa**, aged 50 years is an Independent Director of our Company. He is B. Tech from IIT, Delhi and has an experience of more than 25 years in the field of bicycle/ automobiles tyres and tubes industry and bicycle components. He is Chairman-cum-Managing Director of Ralson (India) Limited.

**Mr. Sanjoy Bhattacharyya**, aged 56 years is an Independent Director of our Company. He holds degree in Bachelor of Science (Statistics Honours) and M.B.A. from IIM, Ahmedabad. He worked as the Chief Investment Officer of HDFC Asset Management Company and is now a Director of consulting firm, Management Structure & Systems Private Limited. He has worked for more than 20 years in equities and investment management.

#### Other Confirmations

1. None of our Directors are currently, or have been in the past five years, on the Board of Directors of a listed company whose shares have been or were suspended from being traded on the BSE or the National Stock Exchange of India Limited.
2. Due to de-recognition of Delhi Stock Exchange Association Limited the Companies mentioned in Point no. (a), (b), (c) and (d) below were moved to Dissemination Board of BSE and hence treated as unlisted companies. Due to surrender of recognition by Ludhiana Stock Exchange Association Limited (LSE) the Company mentioned in point (e) was automatically delisted from LSE.

Except Mr. Sachit Jain, Mrs. Suchita Jain, Mr. B.K. Choudhary and Mr. Sanjeev Pahwa as mentioned below, none of our Directors are currently or have been on the Board of Directors of such Companies, which have been or were delisted from being traded on any stock exchange.

a) Santon Finance & Investment Company Limited (Santon):

- Due to de-recognition of Delhi Stock Exchange Limited (DSE), the Company was moved to dissemination board of SEBI in February, 2015.
- At the time of moving to the dissemination board, the Company had already opted for voluntary delisting of its equity shares from DSE and the process of the same was going on.
- Now, the Company has applied to BSE for removal from dissemination board by opting for exit route in terms of SEBI Circular no. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10<sup>th</sup> October, 2016.
- Mr. Sachit Jain was director of the Company upto 11th February, 2015 and thereafter he resigned from the directorship of the Company. Mrs. Suchita Jain is director of the Company as on date.

b) Flamingo Finance & Investment Company Limited (Flamingo):

- Due to de-recognition of Delhi Stock Exchange Limited (DSE), the Company was moved to dissemination board of SEBI in February, 2015.
- At the time of moving to the dissemination board, the Company had already opted for voluntary delisting of its equity shares from DSE and the process of the same was going on.
- Now, the Company has applied to BSE for removal from dissemination board by opting for exit route in terms of SEBI Circular no. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10<sup>th</sup> October, 2016.
- Mr. Sachit Jain was director of the Company upto 11th February, 2015 and thereafter he resigned from the directorship of the Company. Mrs. Suchita Jain is director of the Company as on date.

- c) Ramaniya Finance & Investment Company Limited (Ramaniya):
- Due to de-recognition of Delhi Stock Exchange Limited (DSE), the Company was moved to dissemination board of SEBI in February, 2015.
  - At the time of moving to the dissemination board, the Company had already opted for voluntary delisting of its equity shares from DSE and the process of the same was going on.
  - Now, the Company has applied to BSE for removal from dissemination board by opting for exit route in terms of SEBI Circular no. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10<sup>th</sup> October, 2016.
  - Mr. Sachit Jain was director of the Company upto 11th February, 2015 and thereafter he resigned from the directorship of the Company. Mrs. Suchita Jain is director of the Company as on date.
- d) Ram Commercial Enterprises Limited:
- Due to de-recognition of Delhi Stock Exchange Limited (DSE), the Company was moved to dissemination board of SEBI in February, 2015. Now, the Company has applied to BSE for removal from dissemination board.
  - Mr. Sanjeev Pahwa is Director of Ram Commercial Enterprises Limited since 28th February, 1991.
- e) Vardhman Acrylics Limited (VAL):
- The shares of the Company were listed on National Stock Exchange Limited (NSE) on September 26, 2003 and on Ludhiana Stock Exchange Limited (LSE) on September 27, 2003.
  - In the year 2014, LSE had voluntarily surrendered its recognition as stock exchange and the SEBI had passed the exit order on December 30, 2014. Therefore, the Company ceased to be listed on LSE.
  - As on date Company is listed on NSE only.
  - Mr. B.K. Choudhary is Managing Director and Mr. Sachit Jain is Director of the Company.
3. Except Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain none of the Directors are related to each other, as per the provisions of the Companies Act, 2013. Mr. Sachit Jain is son of Mr. Rajinder Kumar Jain and Mrs. Suchita Jain is wife of Mr. Sachit Jain and daughter in law of Mr. Rajinder Kumar Jain.
  4. None of our Directors or members of our senior management have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.
  5. None of our Directors have entered into any service contracts with our Company for providing benefits upon termination of employment.
  6. None of our Directors are or have been categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI.
  7. There is no conflict of interest between our business and the other businesses of our Directors.

### **Borrowing Powers of the Board**

Pursuant to resolution passed by our shareholders through Postal Ballot dated 11<sup>th</sup> September, 2014 and in accordance with the provisions of the Companies Act, 2013, our Board has been authorised to borrow money for the purposes upon such terms and conditions with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed ₹ 200 Crores (Rupees Two Hundred Crores) over and above the aggregate of the paid up share capital and free reserves of the Company.

### Compensation to the ‘Managing Director’

Mr. Sachit Jain was re-appointed as Managing Director of the Company for a term of five consecutive years starting from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2020. But due to inadequacy of profits in the year 2015-16 and 2016-17, the remuneration paid to Mr. Sachit Jain was fixed as per the provisions of Section II of Part II of Schedule V of the Company Act, 2013.

Pursuant to resolution passed by Shareholders in their 6<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> September, 2016 following are the terms and conditions of remuneration payable to Mr. Sachit Jain, Managing Director for the financial year 2016-17.

| Sr.No. | Remuneration                | Details  |
|--------|-----------------------------|--|
| I.     | Basic Salary                | ₹ 5,00,000 per month.  |
| II.    | Special Allowance           | ₹ 83,000 per month.  |
| III.   | Perquisites                 | The perquisites shall be allowed in addition to basic salary and special allowance. However, such perquisites shall be restricted to an amount equal to 5 month’s basic salary during each year as per details given below:-   |
| a)     | Housing                     | Free residential accommodation or House Rent Allowance equal to <b>40</b> per cent of the basic salary. Free furnishing is provided by the Company along with other amenities.   |
| b)     | Club Fees                   | Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.   |
| c)     | Personal Accident Insurance | Premium not to exceed ₹ 5,000/- per annum.   |
| d)     | Gratuity                    | Gratuity payable not exceeding half a month’s salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time. |
| e)     | Car & Telephone             | Free use of Company’s car for official work as well as for personal purposes and telephone at Company’s cost.  |

The remuneration to be paid to Mr. Sachit Jain for financial year 2017-18, 2018-19 and 2019-20 shall be decided at the end of financial year 2016-17 on the basis of then financial position of the Company.

### Compensation to Chairman & Independent Director

In addition to sitting fees, following is the remuneration payable to the Mr. Prafull Anubhai, Chairman & Independent Director, for the financial year 2016-17:

**Commision:** Commission @1% of the Net profit of the Company subject to maximum of ₹ 10 lakhs per annum for a period of one year i.e. from 1st April, 2016 to 31st March, 2017. The remuneration to be paid to Mr. Prafull Anubhai will be within the overall ceiling prescribed under Section II of Part II of Schedule V of Companies Act, 2013 i.e. remuneration payable to managerial personnel in case of inadequacy of profits.

### Non-Executive and Non-Independent Director / Independent Director

The following Directors were not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and / or committees thereof. The details of the sitting fees paid to the Directors in F.Y.2015-16 is as under:

| Name of the Director     | Sitting fees (₹ in lakhs) |
|--------------------------|---------------------------|
| Mr. Prafull Anubhai      | 1.20                      |
| Mr. Rajinder Kumar Jain  | 1.00                      |
| Mr. Rajeev Gupta         | 0.95                      |
| Mr. Sanjeev Pahwa        | 1.20                      |
| Mr. Jayant Davar         | 0.55                      |
| Mr. Sanjoy Bhattacharyya | 0.45                      |

### Employee stock option Plan

For details of the employee stock option plan see “Capital Structure – Notes to Capital Structure – Employee Stock Option Scheme” on page 48.

### Shareholding of Directors in our Company

Except the following, no other director holds any share in the Equity Share Capital of our Company:

| Name of the Director  | Number of Shares |
|---|------------------|
| Mrs. Suchita Jain   | 54,161           |
| Mr. Sachit Jain   | 8,001            |
| Mr. Rajinder Kumar Jain<br>(including shareholding in the capacity of Karta of R.K. Jain and HUF) | 24,614           |
| Mr. Prafull Anubhai   | 710              |
| Mr. Sanjoy Bhattacharyya  | 10               |

### Payment or benefit to Directors of our Company

Except as disclosed in the “Related Party Transactions” in “Auditor’s Report” on page 202 of the Draft Letter of Offer, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration or sitting fees for services rendered as Directors, officers or employees.

### Interest of the Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted to the companies, firms, and trusts, if any, in which they are interested as directors, members, promoters, and /or trustees pursuant to this Issue.

Except the following, no other director of our Company holds directorship in the Promoter and Promoter Group.

- A. Mr. Sachit Jain is Director of following Promoter Companies:
  - (1) Vardhman Textiles Limited
  - (2) Vardhman Holdings Limited
  - (3) Mahavir Spinning Mills Private Limited
  - (4) Devakar Investment & Trading Company Private Limited.
  
- B. Mrs. Suchita Jain is Director of following Promoter Companies:
  - (1) Vardhman Textiles Limited
  - (2) Vardhman Holdings Limited
  - (3) VTL Investments Limited
  - (4) Santon Finance & Investment Company Limited
  - (5) Flamingo Finance & Investment Company Limited
  - (6) Ramaniya Finance & Investment Company Limited.
  
- C. Mr. Prafull Anubhai is Director of Vardhman Textiles Limited.

Our Company has not acquired any property within two years of the date of the Draft Letter of Offer.

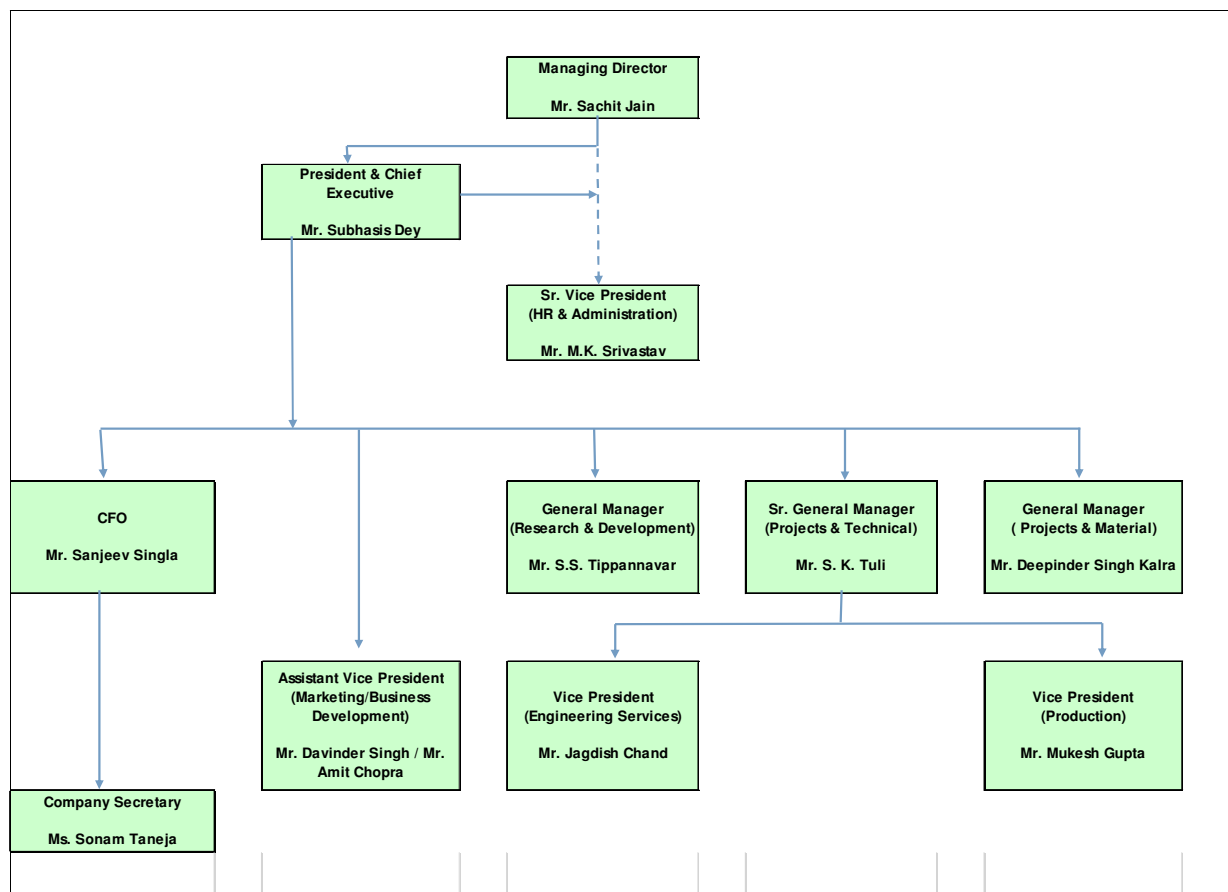
Our Directors are not interested in the appointment of Registrar and Bankers to the Issue or any such intermediaries registered with SEBI.

### Changes in the Board in the last three years

There have been changes in the Board of Directors during last three years, which are detailed as follows:

| Sr. No. | Name of the Directors    | Date of appointment | Date of cessation | Designation          | Reason      |
|---------|--------------------------|---------------------|-------------------|----------------------|-------------|
| 1       | Ms. Ramni Nirula         | 15.03.2011          | 09.11.2013        | Independent Director | Resignation |
| 2       | Mr. Jayant Davar         | 09.11.2013          | -                 | Independent Director | Appointment |
| 3       | Mr. Mukund Choudhary     | 15.03.2011          | 07.10.2014        | Independent Director | Resignation |
| 4       | Mr. Sanjoy Bhattacharyya | 30.10.2016          | -                 | Independent Director | Appointment |

### Management Organisation Structure



### Corporate Governance

Our Company is in compliance with Corporate Governance as stipulated under Corporate Governance Clause of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Currently, the Board has 9 (nine) Directors on our Board, comprising of 1 (one) Managing Director, 3 (three) Non-Executive Non-Independent Directors and 5 (five) Independent Directors. This is in compliance with the requirements of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable provisions of Companies Act, 2013, our Company is in compliance with the following.

## Audit Committee

The Audit Committee was originally constituted by Board of Directors in their meeting held on 2<sup>nd</sup> April, 2011. Thereafter, the audit committee was reconstituted on 10th November, 2012, 12th August, 2013, 2<sup>nd</sup> August, 2014, 31st January, 2015 and 28th October, 2016. At present, the Audit Committee comprises of five Directors viz. Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa, Mr. Rajinder Kumar Jain and Mr. Sanjoy Bhattacharyya. Mr. Prafull Anubhai is the Chairman of the Audit Committee.

The role of the Audit Committee is as per Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The role of the Committee has been defined to include the following activities:

- a) Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- d) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions; and
  - Modified opinion(s) in the draft audit report.
- e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- f) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- g) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- h) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- i) Discussion with internal auditors any significant findings and follow up there on.
- j) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- k) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- l) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- m) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- n) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

- o) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is presented with mandatory information on matters pertaining to working of the Company which include:-

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee was originally constituted by the Board of Directors in their meeting held on 2nd April, 2011 as Remuneration Committee. The committee was reconstituted on 12th August, 2013 and thereafter on 2nd August, 2016 under the provisions of Companies Act, 2013 and renamed as Nomination & Remuneration Committee. Committee was again reconstituted on 24th August, 2016. At present the Committee comprises of three Directors, Mr. Rajeev Gupta, Mr. Prafull Anubhai and Mr. B.K. Choudhary. Mr. Rajeev Gupta is Chairman of the Committee.

The terms of reference of the Nomination and Remuneration Committee are as follows:

The Nomination & Remuneration Committee identifies persons who are qualified to become Directors and who may be appointed in senior management, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

The role of Nomination & Remuneration Committee is:

- a) Formulation of criteria for determining qualifications, positive attributes, independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of Directors, key managerial personnel and other employees;
- b) Formulation of criteria for evaluation of performance of Independent Directors and Board of Directors;
- c) Devising a policy on diversity of Board of Directors, etc.

#### **Stakeholders' Relationship Committee**

The Stakeholder's Relationship Committee was originally constituted by Board of Directors in their meeting held on 2nd April, 2011 as Investors' Grievance Committee. The committee was renamed on 2nd August, 2016 under the provisions of Companies Act, 2013 as Stakeholders' Relationship Committee. At present the Committee comprises of three Directors, Mr. Sanjeev Pahwa, Mrs. Suchita Jain and B.K. Choudhary. Mr. Sanjeev pahwa is Chairman of the Committee.

#### **Functions of the Stakeholders' Relationship Committee:**

- a) Consideration and redressal of grievances of the security holders of the Company, including complaints in respect of transfer of shares, non-receipt of declared dividends, balance sheets of the Company, etc.;
- b) Approval of transfer or transmission of equity shares, debentures or any other securities;
- c) Issue of duplicate certificates and new certificates on split/consolidation/renewal, etc.; and
- d) Carrying out any other function contained in the equity listing agreements as and when amended from time to time.

The Company also undertakes to comply with the other requirements of Regulation 20 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

There were 16,395 shareholders in the company as on March 31, 2016. The company has received Nil complaints from Investors and there was no pendency in respect of shares received for transfer during the year 2015-16 except those that are disputed/ sub-judice.

### Key Managerial Personnel and Officers

Apart from the Managing Director, Non-Executive Non-Independent Directors and Independent Directors whose profile are in page 119, the following are the other Key Managerial Personnel and Officers of the Company. These are persons who are permanent employees looking after key functions of the Company:

**Mr. Subhasis Dey**, aged 54 years, is the President & Chief Executive of our company. He holds a Degree in Bachelor of Electrical Engineering from Regional Engineering College, Durgapur (Now NIT) and also holding a Diploma in Management from Indira Gandhi National Open University. Prior to joining our company, he was CEO of India Nippon Electricals Ltd. a listed JV between TVS group and Mahle Japan. He has an overall experience of approximately 31 years, in fields such as Domestic & Export Business Development, Vendor Development, Production Planning and Control etc. He was appointed on June 10, 2016 and has been associated with our company for a period of 07 (seven) months, and has therefore not received any compensation for the Financial Year 2015-16.

**Mr. M.K. Srivastav**, aged 53 years, is the Sr. Vice President of our company. He holds a Master degree of commerce with LLB and Post graduate in Industrial Relations and Personnel Management. He has total experience of 32 years. Prior to joining our company, he had served in LML Group, Kanpur and Pasupati Acrylon Limited, Kashipur. He started his career with us in the year 1999 and served in Vardhman Textiles Limited, where he looked after HR and administration functions. He was transferred to VSSL on September 01, 2015. During the financial year 2015-16, he was paid a remuneration of ₹ 12.91 Lakhs.

**Mr. Sanjeev Singla**, aged 41 years, is the Chief Financial Officer of our Company. He holds a degree of Bachelor of Commerce and also CS (Inter). He started his career with Vardhman Polytex Ltd. in 1995 as Executive Trainee in Finance & Accounts. During his experience of 21 years, he had handled Finance, Accounts, Taxation, Legal and related functions. He has joined VSSL on 25.03.2014. During the financial year 2015-16, he was paid a remuneration of ₹15.53 lakhs.

**Mr. S.K. Tuli**, aged 64 years, is Sr. General Manager (Projects & Technical) of our company. He holds a Degree in Bachelor of Engineering (Metallurgy) from M.R. Engineering College. Prior of joining our company, he held a position of Sr. General Manager (Technical) at Modern Steels Limited. He has an overall experience of approximately 40 years, in fields such as Production, Operations, Overall Technical Section and Projects etc. He earlier worked with Vardhman Group and re-joined our Company on March 01, 2011 and is associated with our company for a period of 27 years spread over three stints . During the financial year 2015-16, he was paid a remuneration of ₹ 22.18 Lakhs

**Mr. Deepinder Singh Kalra**, aged 47 years, is the General Manager (Projects & Materials) of our company. He holds a Degree in Bachelor of Engineering in Chemical from Punjab University and also holding a Degree in Master of Business Administration from Punjab Agriculture University. Prior of joining our company, he had held a position of President at Welspon India Limited. He has an overall experience of approximately 21 years, in fields such as Corporate Purchase, Commercial & Administration, Production Planning, Projects and Yarn Exports etc. He earlier worked with Vardhman Group and re-joined our Company on August 19, 2016 and is associated with our group for a period of 16 years, spread over two stints. As he re-joined five months back only so he has not received any compensation for the Financial Year 2015-16.

**Mr. Mukesh Gupta**, aged 42 years, is the Vice President (Technical) of our company. He holds a Degree in Bachelor of Engineering in Metallurgy from Regional Engineering College Rourkela, Sambalpur University. Prior to joining our company, he had held a position of Sr. General Manager at Mahindra Sanyo Special Steels Pvt. Limited. He has an overall experience of approximately 20 years, in fields such as Production, Operation & Technical. He was appointed on August 12, 2016 and has been associated with our company for a period of 05 months, and has therefore not received any compensation for the Financial Year 2015-16.

**Mr. Jagdish Chand**, aged 47 years, is the Vice Preident (Engineering Services) of our company. He holds a Diploma in Electrical Engineering. Prior to joining our company, he had held a position of Chief Manager Engineering Services at our group company Vardhman Textiles Limited. He has an overall experience of 25 years, in fields such as Electrical, Mechanical, Civil, Electronics and Projects. He was transferred to VSSL on January 01, 2011 and has been associated with our company for a period of 06 years, During the financial year 2015-16, he was paid a remuneration of ₹ 17.10 Lakhs

**Ms. Sonam Taneja**, aged 28 years is Company Secretary & Compliance Officer of our Company. She is an Associate member of Institute of Company Secretaries of India and also holds a Master degree in Commerce from

Panjab University, Chandigarh. She was appointed as Company Secretary of our Company w.e.f. 31st January, 2015. Prior to joining our Company she was Company Secretary of VMT Spinning Company Ltd. She is responsible for secretarial and compliance function of our Company. She has a total work experience of about 3 years. During the financial year 2015-16, she was paid a remuneration of ₹3.49 lakhs.

#### **Nature of any family relationship between the Key Managerial Personnel**

None of the Key Managerial Personnel are in any way related to each other.

#### **Shareholding of Key Managerial Personnel**

None of the Key Managerial Personnel hold Equity Shares of our Company as on date.

#### **Changes in Key Managerial Personnel**

The following are the changes in Key Managerial Personnel during the last three years:

| <b>Sr. No.</b> | <b>Name of employee</b>   | <b>Designation</b>                          | <b>Date of change</b> | <b>Reason</b>                   |
|----------------|---------------------------|---|-----------------------|---------------------------------|
| 1.             | Mr. Sanjeev Singla        | Chief Financial Officer                     | 25.03.2014            | Appointment                     |
| 2.             | Ms. Tanu Berry            | Company Secretary                           | 30.01.2015            | Transfer to other Group Company |
| 3.             | Ms. Sonam Taneja          | Company Secretary                           | 31.01.2015            | Appointment                     |
| 4.             | Mr. M.K. Srivastav        | Sr. Vice President (HR & Administration)    | 01.09.2015            | Transfer from Group Company     |
| 5.             | Mr. Subhasis Dey          | President & Chief Executive                 | 10.06.2016            | Appointment                     |
| 6.             | Mr. Naresh Bansal         | Chief Executive                             | 05.07.2016            | Resignation                     |
| 7.             | Mr. B.D. Chawla           | Sr. Vice President (Research & Development) | 14.07.2016            | Resignation                     |
| 8.             | Mr. Mukesh Gupta          | Vice President (Technical)                  | 12.08.2016            | Appointment                     |
| 9.             | Mr. Deepinder Singh Kalra | General Manager (Projects & Materials)      | 19.08.2016            | Appointment                     |
| 10.            | Mr. Samir Malhotra        | Sr. Vice President (Marketing)              | 11.11.2016            | Resignation                     |

#### **Bonus or profit sharing plan for Directors and Key Managerial Personnel**

Except for Mr. Prafull Anubhai, our Company does not have a performance linked bonus or a profit sharing plan for the present Directors and Key Managerial Personnel. Our company pays Bonus in accordance with the Payment of Bonus Act, 1965 as amended time to time, as part of remuneration, to its Key Managerial Personnel.

#### **Interest of Key Managerial Personnel**

None of our key managerial personnel has any interest in our Company except to the extent of their remuneration, benefits, reimbursement of expenses incurred by them in the ordinary course of business and stock options that may be granted to them from time to time under the VSSL ESOP Plan, 2016. Further, if any Equity Shares are allotted to our Key Managerial Personnel prior to / in terms of this Issue, under the Employee Reservation Portion, they will be deemed to be interested to the extent of their shareholding and / or dividends paid or payable on the same. For further details regarding the stock options of our key managerial personnel see “Capital Structure – Notes to Capital Structure – Employee Stock Option Plan” on page 48.

#### **Arrangements and Understanding with Major Shareholders, Customers, Suppliers etc.**

None of our key management personnel have been appointed pursuant to any arrangement or understanding with any major shareholders, customers or suppliers of our Company, or others.

### Payment of Benefits to Officers of our Company

Except as disclosed in the Draft Letter of Offer, other than statutory payments and remuneration, in the last two years our Company has not paid or has intended to pay any non-salary amount or benefit to any of its officers.

### Loans taken by Directors / Key Managerial Personnel

Except Mr. Deepinder Singh Kalra, Mr. Jagdish Chand and Mr. M.K.Srivastav none of the Directors / Key Managerial Personnel has taken loan from our Company.

### Retirement Benefits


Except as provided by the terms of appointment, our company does not provide any specific retirement benefit to employees of the Company.

### OUR PROMOTERS AND PROMOTER GROUP


The Promoters of our Company are:

1. Mr. S.P. Oswal;
2. Mrs. Shakun Oswal;
3. Mr. Sachit Jain;
4. Mrs. Suchita Jain;
5. Ms. Soumya Jain;
6. Ms. Sagrika Jain;
7. Vardhman Textiles Limited;
8. Vardhman Holdings Limited ;
9. VTL Investments Limited;
10. Santon Finance & Investment Company Limited;
11. Ramaniya Finance & Investment Company Limited;
12. Flamingo Finance & Investment Company Limited;
13. Devakar Investment & Trading Company Private Limited;
14. Mahavir Spinning Mills Private Limited;
15. Adishwar Enterprises LLP;
16. Eastern Trading Company;
17. Northern Trading Company;
18. Paras Syndicate;
19. Ambar Syndicate; and
20. Mahavir Shares Trust.

Details of our Individual Promoters are provided below:

|   |   |
|---|---|
|  | <p><b>Mr. S.P. Oswal, Promoter</b></p> <p>Mr. S.P. Oswal, aged 74 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. He holds a Masters degree in Commerce from Panjab University. He has an aggregate experience of more than 50 years in Textiles Industry. He currently holds 1,32,422 Equity Share in our Company.</p> <p>He currently holds directorship in:</p> <ol style="list-style-type: none"> <li>i. Vardhman Textiles Limited;</li> <li>ii. Vardhman Holdings Limited;</li> <li>iii. Vardhman Acrylics Limited;</li> <li>iv. Devakar Investment &amp; Trading Company Private Limited;</li> <li>v. Mahavir Spinning Mills Private Limited;</li> <li>vi. Santon Finance &amp; Investment Company Limited;</li> <li>vii. Flamingo Finance &amp; Investment Company Limited;</li> </ol> |
|---|---|

|   |  |
|---|--|
|   | <p>viii. Ramaniya Finance &amp; Investment Company Limited;<br/> ix. Nimbua Greenfield (Punjab) Limited;<br/> x. Vardhman Spinning &amp; General Mills Limited;<br/> xi. VMT Spinning Company Limited.</p> <p>His voter identification number is GKC2497428<br/> His driving license number is - Not available<br/> His Aadhaar Card No. is – 6081 6867 7755</p>   |
|    | <p><b>Mrs. Shakun Oswal, Promoter</b></p> <p>Mrs. Shakun Oswal, aged 70 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. She holds a Bachelor degree in Arts, from the Panjab University, Chandigarh. She has experience in the field of Investment activities. She currently holds 30,715 Equity Share in our Company.</p> <p>She currently holds directorships in:</p> <ol style="list-style-type: none"> <li>i. Vardhman Holdings Limited;</li> <li>ii. Devakar Investment &amp; Trading Company Private Limited;</li> <li>iii. Mahavir Spinning Mills Private Limited;</li> <li>iv. Santon Finance &amp; Investment Company Limited;</li> <li>v. Flamingo Finance &amp; Investment Company Limited;</li> <li>vi. Ramaniya Finance &amp; Investment Company Limited;</li> </ol> <p>Her voter identification number is Not available<br/> Her driving license number is Not available<br/> Her Aadhaar Card No. is 7164 1646 7728</p>   |
|  | <p><b>Mr. Sachit Jain, Promoter and Managing Director</b></p> <p>Mr. Sachit Jain, aged 50 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. He is B.Tech form IIT (Delhi) and MBA from IIM (Ahmedabad).He has a rich experience of more than 26 years in Textiles and Steel Industry.</p> <p>He currently holds directorships in:</p> <ol style="list-style-type: none"> <li>i. Vardhman Textiles Limited;</li> <li>ii. Vardhman Special Steels Limited;</li> <li>iii. Vardhman Acrylics Limited;</li> <li>iv. Vardhman Holdings Limited;</li> <li>v. Vardhman Nisshinbo Garments Company Limited;</li> <li>vi. UTI Asset Management Company Limited;</li> <li>vii. The Alloy Steel Producers Association of India;</li> <li>viii. Mahavir Spinning Mills Private Limited;</li> <li>ix. Devakar Investment &amp; Trading Company Private Limited</li> </ol> <p>His voter identification number is – SDU0381319<br/> His driving license number is PB-1020130215607<br/> His Aadhaar Card No. is – 2351 7809 8486</p> |

|   |   |
|---|---|
|    | <p><b>Mrs. Suchita Jain, Promoter and Director</b></p> <p>Mrs. Suchita Jain, aged 48 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. She holds Masters degree in Commerce from Panjab University, Chandigarh. She has a rich experience of more than 23 years in Textiles Industry.</p> <p>She currently holds directorships in:</p> <ol style="list-style-type: none"> <li>i. Vardhman Textiles Limited;</li> <li>ii. Vardhman Special Steels Limited;</li> <li>iii. Vardhman Holdings Limited;</li> <li>iv. Vardhman Spinning &amp; General Mills Limited;</li> <li>v. VTL Investments Limited;</li> <li>vi. Santon Finance &amp; Investment Company Limited;</li> <li>vii. Flamingo Finance &amp; Investment Company Limited;</li> <li>viii. Ramaniya Finance &amp; Investment Company Limited.</li> </ol> <p>Her voter identification number is SDU2437382<br/>         Her driving license number is Not available<br/>         Her Aadhaar Card No. is 7179 7836 9390</p> |
|   | <p><b>Ms. Soumya Jain, Promoter</b></p> <p>Ms. Soumya Jain, aged 23 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. She is B.Sc. (Economics Honours) from University of Bristol, U.K. and is currently working with Vardhman Textiles Limited as an Executive.</p> <p>Her voter identification number is Not available<br/>         Her driving license number is PB-1020120125068<br/>         Her Aadhaar Card No. is 2553 6645 5610</p>  |
|  | <p><b>Ms. Sagrika Jain, Promoter</b></p> <p>Ms. Sagrika Jain, aged 21 years, is residing at 2722, Auro Mirra Bhawan, Gurdev Nagar, Pakhowal Road, Ludhiana. She is B.Sc. (Economics and Finance Honours) from University of Bristol, U.K.</p> <p>Her voter identification number is SDU2437424<br/>         Her driving license number is PB-1020140257284<br/>         Her Aadhaar Card No. is 6774 7187 5262</p>  |

We confirm that the Permanent Account Number, Bank Account Number and the Passport Number of our Promoters as mentioned above, will be submitted to the Stock Exchanges at the time of filing this Draft Letter of Offer with the Stock Exchanges.

Mr. S.P. Oswal, the Promoter has substantial experience in the business carried by the Company. Before the Demerger of Steel Business undertaking of Vardhman textiles Limited into the Company the Steel Business undertaking was also looked after by Mr. S.P. Oswal in the capacity of Chairman and Managing Directors of Vardhman Textiles Limited.

## Details of our Corporate Promoters

### VARDHMAN TEXTILES LIMITED

Vardhman Textiles Limited was incorporated on 8th October, 1973 under the Companies Act, 1956, with the Registrar of Companies, Jalandhar. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects are:

- To carry on all or any of the following business, namely cotton spinners and doublers, flax, hemp and jute spinners, linen and cloth manufacturers, flax, hemp jute and wool merchants, wool combers, worsted stuff manufacturers, bleachers and dyers, makers of vitriol, bleaching and dyeing materials.
- To purchase, comb, prepare, spin, dye and deal in cotton flax, hemp, jute, wool, silk and any fibrous substances.
- To weave and otherwise manufacture, buy and sell and deal in linen, cloth and other goods and fabrics, whether textile feeted, netted or looped.
- To carry on the business of manufacturing woollen, felt, silken, cotton, hemp and any other fibrous material and products whether allied to the aforesaid or not in India or elsewhere.
- To carry on the business of spinners, weavers, manufacturers, ginner, balers and pressers of cotton, kapas, yarn, cotton waste, yarn waste, hemp, jute and other fibrous material and the cultivation thereof.
- To carry on the business of buyers, sellers, dealers, exporters and importers of woollen, silken, cotton, hemp and other fibrous material or any goods or merchandise whatsoever and to transact all manufacturing or treating and processes and mercantile business and to purchase and vend raw materials and manufactured articles.
- To carry on the business of Machine Combers and Re-combers of all types of fibres and materials, whether artificial or synthetic, to sort, blend, prepare wiley, scour, carb, scribble, comb, dye, bleach, carbonize, spin, twist, double, wind, warp, weave, mend, finish, make up, back, buy, sell, import, export and deal in fibres, whether natural artificial or synthetic, tops, yarn woven, fabrics and textile fabrics and materials of kinds and to carry on all or any of the trades or businesses of Combers, Re-combers, Top makers, Spinners, Weavers, Doublers, Manufacturers, Printers, Dyers and Finishers, Bleachers, Carbonizers, Waterproofers of textile materials and fabrics of all kinds of Mill Owners generally, merchants, agents, importers, exporters, factors, agents, sellers of and dealers, in wool, worsted, silk hair alpaca, mohair, cotton, flax, jute, hemp, artificial and synthetic fibres and all or any fibrous substances, tops, noils, wasters paps and byproducts generally and all or any textile products, manufactured or unmanufactured.
- To purchase or take on lease or otherwise acquire and work any spinning mills, weaving mills, ginning factories or presses for pressing merchandise into bales or any other similar concern and the property, business and goodwill appertaining thereto.
- To buy, sell, import, export, exchange and deal in cloth yarn, cotton in process, raw cotton, jute, wool, silk, rayon, hemp and other fibrous articles, also drugs, chemicals, dyes, metals, stores and other articles and things.
- To undertake dyeing, bleaching or printing of yarn cloth, cotton in process, raw cotton, silk, rayon, wool, jute, hemp and other fibres for any person, firm, company or corporation or otherwise by the agents of the Company.
- To carry on and undertake business of leasing and to finance leasing operations of all kinds, finance, trading, hire purchase, purchasing, selling, exporting, importing, hiring or letting on hire all kinds of plant, machinery and equipments whether electrical, electronic or mechanical including tractors, tuggers, shunters, transport/commercial vehicles of any kinds for use in land, water and air, motor cars, motorcycles, scooters, construction/industrial equipments, earthmoving machinery, cranes, excavators, loaders, implements, tools utensils, ships, dredgers, tugs, barges, aeroplanes, helicopters, wagons, coaches, tram-cars, telex, teleprinters, electronic private automatic branch exchanges, private automatic exchanges, public address systems, television receivers, industrial robots, furniture, domestic or business appliances, computers, tabulators, data processing machines, addressing machines and other sophisticated office machinery and appliances and to assist in financing of all and every kind and description of hire purchase or easy payment system or deferred payment or similar transactions and subsidies, finance or assist in subsidizing or financing the sale, purchase and maintenance of its goods, articles, commodities of all and every kind upon any terms and to purchase or otherwise deal in all forms of immovable or movable property including land and buildings and of consumer, commercial and industrial items and to lease or otherwise deal with them in any manner including resale thereof regardless whether the property purchased and leased be new and/or used.

Vardhman Textiles Limited is engaged in the manufacturing of all kinds of yarn and fabric (both grey and processed).

The CIN or corporate identification number of Vardhman Textiles Limited is L17111PB1973PLC003345.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** No change in Registered Office

**Board of directors**

As on the date of this Draft Letter of Offer, the board of directors of Vardhman Textiles Ltd. comprises of:

1. Mr. S.P. Oswal
2. Mr. Sachit Jain
3. Mrs. Suchita Jain
4. Mr. Neeraj Jain
5. Mr. Darshan Lal Sharma
6. Mr. Prafull Anubhai
7. Mr. Subhash Khanchand Bijlani
8. Mr. Ashok Kumar Kundra
9. Mr. Devendra Bhushan Jain
10. Mr. Rajender Mohan Malla
11. Mr. Shravan Talwar
12. Mr. Kumar Neel Lohit

**Promoters of Vardhman Textiles Ltd.:**

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mrs. Suchita Jain
4. Mr. Sachit Jain
5. Ms. Soumya Jain
6. Ms. Sagrika Jain
7. Vardhman Holdings Limited
8. VTL Investments Limited
9. Flamingo Finance & Investment Company Limited
10. Ramaniya Finance & Investment Company Limited
11. Santon Finance & Investment Company Limited
12. Mahavir Spinning Mills Private Limited
13. Devakar Investment & Trading Company Private Limited
14. Adishwar Enterprises LLP
15. Eastern Trading Company
16. Northern Trading Company
17. Ambar Syndicate
18. Paras Syndicate

The names of the directors of the non-individual promoter of Vardhman Textiles Limited are mentioned in this section under details of all such promoters.

## Shareholding Pattern

Set forth below, is the shareholding pattern of Vardhman Textiles Ltd. as on December 31, 2016 :

| Sr. No. | Name of the Equity Shareholder  | No. of Equity Shares held | % age of Shareholding |
|---------|---|---------------------------|-----------------------|
|         | <b>PROMOTERS:</b>   |                           |                       |
| 1.      | Adishwar Enterprises LLP  | 1,29,78,058               | 20.39                 |
| 2.      | Flamingo Finance & Investment Company Limited                                   | 5,90,513                  | 0.93                  |
| 3.      | *Marshall Investment & Trading Company Private Limited                          | 91,383                    | 0.14                  |
| 4.      | Ramaniya Finance & Investment Company Limited                                   | 4,70,046                  | 0.74                  |
| 5.      | Santon Finance & Investment Company Limited                                     | 5,05,609                  | 0.79                  |
| 6.      | Mahavir Spinning Mills Private Limited  | 1,09,628                  | 0.17                  |
| 7.      | *Devakar investment & Trading Company Private Limited                           | 67,70,172                 | 10.64                 |
| 8.      | S.P. Oswal  | 6,62,125                  | 1.04                  |
| 9.      | Shakun Oswal  | 1,53,583                  | 0.24                  |
| 10.     | Suchita Jain  | 2,70,818                  | 0.43                  |
| 11.     | Sachit Jain   | 40,005                    | 0.06                  |
| 12.     | Soumya Jain   | 7,980                     | 0.01                  |
| 13.     | Sagrika Jain  | 7,740                     | 0.01                  |
| 14.     | Eastern Trading Company   | 59,040                    | 0.09                  |
| 15.     | Amber Syndicate   | 86,255                    | 0.14                  |
| 16.     | Northern Trading Company  | 82,560                    | 0.13                  |
| 17.     | Paras Syndicate   | 91,552                    | 0.14                  |
| 18.     | Vardhman Holdings Limited   | 1,54,99,123               | 24.35                 |
| 19.     | VTL Investments Limited   | 11,34,000                 | 1.78                  |
|         | <b>TOTAL OF PROMOTERS</b>   | <b>3,96,10,190</b>        | <b>62.23</b>          |
|         | <b>PUBLIC:</b>  |                           |                       |
| 1.      | <b>INSTITUTIONS:</b>  |                           |                       |
| A       | Mutual Funds  | 73,37,132                 | 11.53                 |
| B       | Foreign Portfolio Investors   | 72,47,866                 | 11.39                 |
| C       | Financial Institutions/ Banks   | 59,083                    | 0.09                  |
| D       | Insurance Companies   | 51,575                    | 0.08                  |
| 2.      | <b>NON-INSTITUTIONS:</b>  |                           |                       |
| A       | <b>Individuals:</b>   |                           |                       |
|         | a. Individual shareholders holding nominal share capital up to ₹ 2 lakhs        | 49,08,420                 | 7.71                  |
|         | b. Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs | 19,15,270                 | 3.01                  |
| B       | NBFCs registered with RBI   | 16,314                    | 0.03                  |
|         | Any other:  |                           |                       |
| C       | Bodies Corporate  | 6,15,212                  | 0.97                  |
| D       | NRI   | 2,55,597                  | 0.40                  |
| E       | Trusts  | 16,35,220                 | 2.57                  |
|         | <b>TOTAL OF PUBLIC</b>  | <b>2,40,41,689</b>        | <b>37.77</b>          |
|         | <b>Total</b>  | <b>6,36,51,879</b>        | <b>100.00</b>         |

\* Hon'ble Punjab & Haryana High Court, Chandigarh, vide its order no. 229 of 2015 (O&M) dated 1st August, 2016 had sanctioned the scheme of amalgamation of Anklesh Investments Private Limited, Marshall Investment & Trading Company Private Limited, Plaza Trading Company Private Limited, Pradeep Mercantile Company Private Limited, Srestha Holdings Private Limited and Syracuse Investment & Trading Company Private Limited with Devakar Investment & Trading Company Private Limited.

## Change in the management/control

There has been no change in the management/control of Vardhman Textiles Limited during the last three years.

**Confirmations:**

1. Vardhman Textiles Limited is a listed company and it has not made any public issue (including any rights issue to the public) in the preceding three years.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

**Financial Information**

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 6,365.19  | 6,365.19          | 6,365.19          |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 3,58,953.18   | 3,01,972.83       | 2,78,466.53       |
| Net worth  | 3,65,318.37   | 3,08,338.02       | 2,84,831.72       |
| Income including other income  | 5,81,445.87   | 5,90,010.02       | 5,23,589.20       |
| Profit/ (Loss) after tax   | 65,305.44   | 35,911.35         | 65,187.69         |
| Earnings per share (face value of ₹ 10.00 each)  | 102.60  | 56.42             | 102.41            |
| No. of equity shares (In lakhs)  | 636.52  | 636.52            | 636.52            |
| Net asset value/ Book Value per share (₹)  | 573.93  | 484.41            | 447.48            |

**VARDHMAN HOLDINGS LIMITED**

Vardhman Holdings Limited was incorporated on 27th December, 1962 under the Companies Act, 1956, with the Registrar of Companies, Jalandhar. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects are:

- To carry on and undertake the business of finance, investment, loan and guarantee company and to invest in, acquire, subscribe, purchase, hold, sell, divest or otherwise deal in securities, shares, stocks, equity linked securities, debentures, debenture stock, bonds, commercial papers, acknowledgements, deposits, notes, obligations, futures, calls, derivatives, currencies and securities of any kind whatsoever, whether issued or guaranteed by any person, company, firm, body, trust, entity, government, state, dominion sovereign, ruler, commissioner, public body or authority, supreme, municipal, local or otherwise, whether in India or abroad.
- To carry on business as financiers and merchants and to undertake and carry on and execute all kinds of financial, commercial, trading and other operations and also to borrow or lend and advance money and to sell and deal with stocks, funds, shares, debentures, debenture-stocks, bonds, obligations and other securities.

Vardhman Holdings Limited is engaged in investment and lending activities.

The CIN or corporate identification number of Vardhman Holdings Limited is L65990PB1962PLC2463.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** No change in Registered Office

**Board of directors**

As on the date of this Draft Letter of Offer, the Board of Directors of Vardhman Holdings Ltd. comprises:

1. Mr. S.P.Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain
4. Mrs. Suchita Jain

5. Mr. Chaman Lal Jain
6. Mr. Jagdish Rai Singal
7. Mr. Sat Pal Kanwar
8. Mrs. Apinder Sodhi
9. Mr. Om Parkash Sharma
10. Mr. Surinder Singh Bagai
11. Mr. Vikas Kumar
12. Mr. Rajeev Kumar Mittal

**Promoters of Vardhman Holdings Ltd.:**

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mrs. Suchita Jain
4. Mr. Sachit Jain
5. Ms. Soumya Jain
6. Ms. Sagrika Jain
7. Flamingo Finance & Investment Company Limited
8. Ramaniya Finance & Investment Company Limited
9. Santon Finance & Investment Company Limited
10. Mahavir Spinning Mills Private Limited
11. Devakar Investment & Trading Company Private Limited
12. Adishwar Enterprises LLP
13. Eastern Trading Company
14. Northern Trading Company
15. Ambar Syndicate
16. Paras Syndicate

The names of the directors of the non-individual promoter of Vardhman Holdings Limited are mentioned in this section under details of all such promoters.

**Shareholding Pattern**

Set forth below, is the shareholding pattern of Vardhman Holdings Ltd. as on December 31, 2016 :

| Sr. No. | Name of the Equity Shareholder                       | No. of Equity Shares held | % age of Shareholding |
|---------|--|---------------------------|-----------------------|
|         | <b>PROMOTER GROUP</b>                                |                           |                       |
| 1.      | Adishwar Enterprises LLP                             | 10,48,770                 | 32.86                 |
| 2.      | Devakar Investment & Trading Company Private Limited | 10,94,330                 | 34.29                 |
| 3.      | Flamingo Finance & Investment Company Limited        | 50,671                    | 1.59                  |
| 4.      | Ramaniya Finance & Investment Company Limited        | 29,343                    | 0.92                  |
| 5.      | Santon Finance & Investment Company Limited          | 12,266                    | 0.38                  |
| 6.      | Mahavir Spinning Mills Private Limited               | 10,332                    | 0.32                  |
| 7.      | S.P. Oswal   | 56,880                    | 1.78                  |
| 8.      | Shakun Oswal   | 19,084                    | 0.60                  |
| 9.      | Suchita Jain   | 28,416                    | 0.89                  |
| 10.     | Sachit Jain  | 2,330                     | 0.07                  |
| 11.     | Soumya Jain  | 80                        | 0.00                  |
| 12.     | Sagrika Jain   | 40                        | 0.00                  |
| 13.     | Eastern Trading Company                              | 9,840                     | 0.31                  |
| 14.     | Amber Syndicate                                      | 6,689                     | 0.21                  |
| 15.     | Northern Trading Company                             | 13,760                    | 0.43                  |
| 16.     | Paras Syndicate                                      | 7,610                     | 0.24                  |
|         | <b>TOTAL OF PROMOTERS</b>                            | <b>23,90,441</b>          | <b>74.90</b>          |
|         | <b>PUBLIC SHAREHOLDING</b>                           |                           |                       |
| 1.      | <b>Institutions</b>                                  |                           |                       |
| A       | Mutual Fund  | 1,880                     | 0.06                  |
| B       | Foreign Portfolio Investors                          | 95,382                    | 2.99                  |
| C       | Financial Institutions/ Banks                        | 31,672                    | 0.99                  |

|    |   |                  |              |
|----|---|------------------|--------------|
| 2. | <b>Non-institutions</b>   |                  |              |
| A  | Individuals:  |                  |              |
|    | a. Individual shareholders holding nominal share capital upto ₹ 2 lakhs         | 3,16,681         | <b>9.92</b>  |
|    | b. Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs | 3,14,615         | <b>9.86</b>  |
| B  | Any Other (specify) # CORPORATE BODY  | 40,105           | 1.26         |
| C  | Any Other (specify) # NRI   | 660              | 0.02         |
|    | Any other (specify) # Trust   | 100              | <b>0.00</b>  |
|    | <b>TOTAL OF PUBLIC</b>  | <b>8,01,095</b>  | <b>25.10</b> |
|    | <b>TOTAL</b>  | <b>31,91,536</b> | <b>100</b>   |

#### Change in the management/control

There has been no change in the management/control of Vardhman Holdings Limited during the last three years.

#### Confirmations:

1. Vardhman Holdings Limited is a listed company and it has not made any public issue (including any rights issue to the public) in the preceding three years.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

#### Financial Information

| Audited Financial Information  | For The Year Ended<br>( ₹ in lakhs, except per share data) |                   |                   |
|--|--|-------------------|-------------------|
|  | March 31,<br>2016  | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 319.24   | 319.24            | 319.24            |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 27,512.01  | 22,810.27         | 19,895.72         |
| Net worth  | 27,831.26  | 23,129.52         | 20,214.97         |
| Income including other income  | 5,309.10   | 3,251.86          | 1,990.03          |
| Profit/ (Loss) after tax   | 4,816.97   | 3,029.79          | 1,744.83          |
| Earnings per share (face value of ₹ 10.00 each)  | 150.93   | 94.93             | 54.67             |
| No. of equity shares (In lakhs)  | 31.92  | 31.92             | 31.92             |
| Net asset value/ Book Value per share (₹)  | 871.91   | 724.61            | 633.30            |

#### **VTL INVESTMENTS LIMITED**

VTL Investments Limited was incorporated on 23rd February, 1994 under the Companies Act, 1956, with the Registrar of Companies, Jalandhar. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects are:

To carry on and undertake the business of finance, investments, loan and guarantee company and to invest in, acquire, subscribe, purchase, hold, sell, divest or otherwise deal in securities, shares, stocks, equity linked securities, debentures, debenture stock, bonds, commercial papers, acknowledgements, deposits, notes, obligations, futures, calls, derivatives, currencies and securities of any kind whatsoever, whether issued or guaranteed by any person, company, firm, body, trust, entity, government, state, dominion sovereign, ruler, commissioner, public body or authority, supreme, municipal, local or otherwise, whether in India or abroad.

VTL Investments Limited is engaged in investment and lending activities.

The CIN or corporate identification number of VTL Investments Limited is U17231PB1994PLC014256.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** No change in Registered Office

**Board of directors**

As on the date of this Draft Letter of Offer, the Board of Directors of VTL Investments Limited comprises:

1. Mrs. Suchita Jain
2. Mr. D.L. Sharma
3. Mr. Rajeev Thapar

**Promoters of VTL Investments Limited :**

1. Vardhman Textiles Limited
2. Mr. S.P. Oswal (Nominee of Vardhman Textiles Limited)
3. Mr. D. L. Sharma (Nominee of Vardhman Textiles Limited)
4. Mr. Sachit Jain (Nominee of Vardhman Textiles Limited)
5. Mr. Neeraj Jain (Nominee of Vardhman Textiles Limited)
6. Mr. Rajeev Thapar (Nominee of Vardhman Textiles Limited)
7. Mr. Mahesh Arora (Nominee of Vardhman Textiles Limited)

The names of the directors of the non-individual promoter of VTL Investments Limited are mentioned in this section under details of all such promoters.

**Shareholding Pattern**

Set forth below, is the shareholding pattern of VTL Investments Limited as on the date of this Draft Letter of Offer:

| Sr. No. | Name of the Equity Shareholder | No. of Equity Shares held | % age of Shareholding |
|---------|--------------------------------|---------------------------|-----------------------|
| 1.      | Vardhman Textiles Limited      | 39,99,962                 | 100                   |
| 2.      | Mr. S.P. Oswal                 | 13                        | 0                     |
| 3.      | Mr. D. L. Sharma               | 5                         | 0                     |
| 4.      | Mr. Sachit Jain                | 5                         | 0                     |
| 5.      | Mr. Neeraj Jain                | 5                         | 0                     |
| 6.      | Mr. Rajeev Thapar              | 5                         | 0                     |
| 7.      | Mr. Mahesh Arora               | 5                         | 0                     |
|         | <b>Total</b>                   | <b>40,00,000</b>          | <b>100</b>            |

**Change in the management/control**

There has been no change in the management/control of VTL Investments Limited during the last three years.

**Confirmations:**

1. VTL Investments Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

## Financial Information

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 400.00  | 400.00            | 400.00            |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 3,680.30  | 3,323.29          | 3,016.73          |
| Net worth  | 4,080.30  | 3,723.29          | 3,416.73          |
| Income including other income  | 394.75  | 384.09            | 258.50            |
| Profit/ (Loss) after tax   | 357.01  | 306.56            | 214.31            |
| Earnings per share (face value of ₹ 10.00 each)  | 8.93  | 7.66              | 5.36              |
| No. of equity shares (In lakhs)  | 40.00   | 40.00             | 40.00             |
| Net asset value/ Book Value per share (₹)  | 102.01  | 93.08             | 85.42             |

### **SANTON FINANCE & INVESTMENT COMPANY LIMITED**

Santon Finance & Investment Company Limited was incorporated on 22nd December, 1982 under the Companies Act, 1956, with the Registrar of Companies, Delhi & Haryana. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana. The Company was listed on Delhi Stock Exchange Limited (DSE). Due to de-recognition of DSE by SEBI, the Company was moved to Dissemination Board of BSE in February, 2015. The Company is now in the process of being removed from Dissemination Board. The Company is however being treated as an Unlisted Company.

In terms of its memorandum of association, the main objects are:

- To carry on the business of financing industrial enterprises.
- To invest in, buy, sell, transfer, hypothecate, deal in and dispose of any shares, stocks, debenture (whether perpetual or redeemable debentures), debenture stocks, securities, properties of any other company including securities of any Government, Local Authority, Bonds and Certificates.
- Subject to Section 58-A of the Act and Regulations made thereunder and directions issued by Reserve Bank of India, to receive money, deposits on interest or otherwise and to lend money, and negotiate loans with or without security to such companies, firms or persons, and on such terms as may seem expedient, and to guarantee the performance of contracts by any person, companies or firms.
- To carry on in all their respective branches the business of Promoters, Investment Consultants and Investment.
- To act as brokers and underwriters and to give any guarantee for the payment of money or the performance of any obligation or underwriting.
- To secure sound investments of foreign capital in Indian undertakings and enterprises and Indian Capital in foreign undertakings and enterprises.
- To invest in, acquire, deal in bullion, other precious metals, precious stones jewellery and buy, sell and deal, whole sale and retail, import and export in bullion, precious metal, precious stones, article of virtue and objects of art.
- To invest in, and to do the business of sale and purchase of land and buildings, farms and out houses, other real estates, and to act as Real Estate Agents, Landlords, Contractors and to buy, sell, mortgage, grant licence, let, easement of any properties of the Company.

Santon Finance & Investment Company Limited is engaged in investment and lending activities.

The CIN or corporate identification number of Santon Finance & Investment Company Limited is U65921PB1982PLC024886.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** The Company had changed Registered Office from State of New Delhi to State of Punjab vide CLB order dated 16.10.2001.

### Board of directors

As on the date of this Draft Letter of Offer, the Board of Directors of Santon Finance & Investment Company Limited comprises:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mrs. Suchita Jain

### Promoters of Santon Finance & Investment Company Limited:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain
4. Mrs. Suchita Jain
5. Mr. Deepak Jain
6. Mr. Ish Jain
7. Mrs. Nita Jain
8. Mrs. Reeka Jain
9. Adishwar Enterprises LLP
10. Devakar Investment & Trading Company Private Limited

The names of the directors of the non-individual promoter of Santon Finance & Investment Company Limited are mentioned in this section under details of all such promoters.

### Shareholding Pattern

Set forth below, is the shareholding pattern of Santon Finance & Investment Company Limited as on the date of this Draft Letter of Offer:

| Sr. No.                      | Name of the Equity Shareholder                   | No. of Equity Shares held | % age of Shareholding |
|------------------------------|--|---------------------------|-----------------------|
| <b>Promoter shareholding</b> |  |                           |                       |
| 1.                           | Adishwar Enterprises LLP                         | 58,500                    | 29.25                 |
| 2.                           | Devakar Investment & Trading Company (P) Limited | 59,250                    | 29.63                 |
| 3.                           | S.P.Oswal  | 69,333                    | 34.67                 |
| 4.                           | Shakun Oswal                                     | 6,000                     | 3.00                  |
| 5.                           | Suchita Jain                                     | 4,867                     | 2.43                  |
| 6.                           | Sachit Jain                                      | 1,000                     | 0.50                  |
| 7.                           | Deepak Jain                                      | 100                       | 0.05                  |
| 8.                           | Ish Jain   | 100                       | 0.05                  |
| 9.                           | Nita Jain  | 100                       | 0.05                  |
| 10.                          | Reeka Jain                                       | 100                       | 0.05                  |
|                              | <b>Sub- Total</b>                                | <b>1,99,350</b>           | <b>99.68</b>          |
| <b>Public shareholding</b>   |  |                           |                       |
|                              | Individuals                                      | 650                       | 0.32                  |
|                              | <b>Total</b>                                     | <b>2,00,000</b>           | <b>100.00</b>         |

### Change in the management/control

There has been no change in the management/control of Santon Finance & Investment Company Limited during the last three years.

### Confirmations:

1. Santon Finance & Investment Company Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

## Financial Information

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 20.00   | 20.00             | 20.00             |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 638.88  | 492.65            | 411.67            |
| Net worth  | 658.88  | 512.65            | 431.67            |
| Income including other income  | 147.46  | 84.56             | 49.89             |
| Profit/ (Loss) after tax   | 146.23  | 80.98             | 48.49             |
| Earnings per share (face value of ₹ 10.00 each)  | 73.12   | 40.49             | 24.24             |
| No. of equity shares (In lakhs)  | 2.00  | 2.00              | 2.00              |
| Net asset value/ Book Value per share (₹)  | 329.44  | 256.33            | 215.84            |

### **RAMANIYA FINANCE & INVESTMENT COMPANY LIMITED**

Ramaniya Finance & Investment Company Limited was incorporated on 7th June, 1983 under the Companies Act, 1956, with the Registrar of Companies, Delhi & Haryana. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana. The Company was listed on Delhi Stock Exchange Limited (DSE). Due to de-recognition of DSE by SEBI, the Company was moved to Dissemination Board of BSE in February, 2015. The Company is now in the process of being removed from Dissemination Board. The Company is however being treated as an Unlisted Company.

In terms of its memorandum of association, the main objects are:

- To carry on the business of financing industrial enterprises.
- To invest in, buy, sell, transfer, hypothecate, deal in and dispose of any shares, stocks, debenture (whether perpetual or redeemable debentures), debenture stocks, securities, properties of any other company including securities of any Government, Local Authority, Bonds and Certificates.
- Subject to Section 58A of the Act and Regulations made thereunder and directions issued by Reserve Bank of India, to receive money, deposits on interest or otherwise and to lend money, and negotiate loans with or without security to such companies, firms or persons, and on such terms as may seem expedient, and to guarantee the performance of contracts by any person, companies or firms.
- To carry on in all their respective branches the business of Promoters, Investment Consultants and Investment.
- To act as brokers and underwriters and to give any guarantee for the payment of money or the performance of any obligation or underwriting.
- To secure sound investments of foreign capital in Indian undertakings and enterprises and Indian Capital in foreign undertakings and enterprises.
- To invest in, acquire, deal in bullion, other precious metals, precious stones jewellery and buy, sell and deal, whole sale and retail, import and export in bullion, precious metal, precious stones, article of virtue and objects of art.
- To carry on the business of leasing all types of industrial and office plant, equipment, machinery, vehicles, building and real estate required for manufacturing, processing, transportation and trading business and other commercial and service businesses.

Ramaniya Finance & Investment Company Limited is engaged in investment and lending activities.

The CIN or corporate identification number of Ramaniya Finance & Investment Company Limited is U65921PB1983PLC024887.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** The Company had changed Registered Office from State of New Delhi to State of Punjab vide CLB order dated 16.10.2001.

### Board of Directors

As on the date of this Draft Letter of Offer, the Board of Directors of Ramaniya Finance & Investment Company Limited comprises:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mrs. Suchita Jain

### Promoters of Ramaniya Finance & Investment Company Limited:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain
4. Mrs. Suchita Jain
5. Santon Finance & Investment company Limited
6. Devakar Investment & Trading Company Private Limited
7. Mahavir Spinning Mills Private Limited
8. Deepak Jain
9. Ish Jain
10. Nita Jain
11. Reeka Jain
12. Shripal Jain
13. Sudarshan Jain

The names of the directors of the non-individual promoter of Ramaniya Finance & Investment Company Limited are mentioned in this section under details of all such promoters.

### Shareholding Pattern

Set forth below, is the shareholding pattern of Ramaniya Finance & Investment Company Limited as on the date of this Draft Letter of Offer:

| Sr. No.                      | Name of the Equity Shareholder                | No. of Equity Shares held | % age of Shareholding |
|------------------------------|---|---------------------------|-----------------------|
| <b>Promoter shareholding</b> |   |                           |                       |
| 1.                           | Devakar Investment & Trading Co. (P) Ltd.     | 94,150                    | 47.08                 |
| 2.                           | Santon Finance and Investment Company limited | 8,400                     | 4.20                  |
| 3.                           | Mahavir Spinning Mills Private Limited        | 100                       | 0.05                  |
| 4.                           | S.P. Oswal                                    | 66,233                    | 33.12                 |
| 5.                           | Shakun Oswal                                  | 6,150                     | 3.08                  |
| 6.                           | Suchita Jain                                  | 6,367                     | 3.18                  |
| 7.                           | Sachit Jain                                   | 17,500                    | 8.75                  |
| 8.                           | Deepak Jain                                   | 100                       | 0.05                  |
| 9.                           | Ish Jain                                      | 100                       | 0.05                  |
| 10.                          | Nita Jain                                     | 100                       | 0.05                  |
| 11.                          | Reeka Jain                                    | 100                       | 0.05                  |
| 12.                          | Shri Pal Jain                                 | 100                       | 0.05                  |
| 13.                          | Sudarshan Jain                                | 100                       | 0.05                  |
|                              | <b>Sub- Total</b>                             | <b>1,99,500</b>           | <b>99.75</b>          |
| <b>Public Shareholding</b>   |   |                           |                       |
|                              | Individuals                                   | 500                       | 0.25                  |
|                              | <b>Total</b>                                  | <b>2,00,000</b>           | <b>100.00</b>         |

### Change in the management/control

There has been no change in the management/control of Ramaniya Finance & Investment Company Limited during the last three years.

**Confirmations:**

1. Ramaniya Finance & Investment Company Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

**Financial Information**

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 20.00   | 20.00             | 20.00             |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 629.11  | 500.39            | 427.99            |
| Net worth  | 649.11  | 520.39            | 447.99            |
| Income including other income  | 130.38  | 77.34             | 38.08             |
| Profit/ (Loss) after tax   | 128.72  | 72.40             | 36.76             |
| Earnings per share (face value of ₹ 10.00 each)  | 64.36   | 36.20             | 18.38             |
| No. of equity shares (In lakhs)  | 2.00  | 2.00              | 2.00              |
| Net asset value/ Book Value per share (₹)  | 324.56  | 260.18            | 223.96            |

**FLAMINGO FINANCE & INVESTMENT COMPANY LIMITED**

Flamingo Finance & Investment Company Limited was incorporated on 22nd December, 1982 under the Companies Act, 1956, with the Registrar of Companies, Delhi & Haryana. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana. The Company was listed on Delhi Stock Exchange Limited (DSE). Due to de-recognition of DSE by SEBI, the Company was moved to Dissemination Board of BSE in February, 2015. The Company is now in the process of being removed from Dissemination Board. The Company is however being treated as an Unlisted Company.

In terms of its memorandum of association, the main objects are:

- To carry on the business of financing industrial enterprises.
- To invest in, buy, sell, transfer, hypothecate, deal in and dispose of any shares, stocks, debenture (whether perpetual or redeemable debentures), debenture stocks, securities, properties of any other company including securities of any Government, Local Authority, Bonds and Certificates.
- Subject to Section 58-A of the Act and Regulations made thereunder and directions issued by Reserve Bank of India, to receive money, deposits on interest or otherwise and to lend money, and negotiate loans with or without security to such companies, firms or persons, and on such terms as may seem expedient, and to guarantee the performance of contracts by any person, companies or firms.
- To carry on in all their respective branches the business of Promoters, Investment Consultants and Investment.
- To act as brokers and underwriters and to give any guarantee for the payment of money or the performance of any obligation or underwriting.
- To secure sound investments of foreign capital in Indian undertakings and enterprises and Indian Capital in foreign undertakings and enterprises.
- To invest in, acquire, deal in bullion, other precious metals, precious stones jewellery and buy, sell and deal, whole sale and retail, import and export in bullion, precious metal, precious stones, article of virtue and objects of art.
- To invest in, and to do the business of sale and purchase of land and buildings, farms and out houses, other real estates, and to act as Real Estate Agents, Landlords, Contractors and to buy, sell, mortgage, grant licence, let, easement of any properties of the Company.

Flamingo Finance & Investment Company Limited is engaged in investment and lending activities.

The CIN or corporate identification number of Flamingo Finance & Investment Company Limited is U65921PB1982PLC024888.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** The Company had changed Registered Office from State of New Delhi to Sate of Punjab vide CLB order dated 16.10.2001.

### Board of directors

As on the date of this Draft Letter of Offer, the Board of Directors of Flamingo Finance & Investment Company Limited comprises:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mrs. Suchita Jain

### Promoters of Flamingo Finance & Investment Company Limited:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain
4. Mrs. Suchita Jain
5. Adishwar Enterprises LLP
6. Devakar Investment & Trading Company Private Limited
7. Ramaniya Finance and Investment Company Limited
8. Deepak Jain
9. Ish Jain
10. Nita Jain
11. Reeka Jain
12. Shripal Jain
13. Sudarshan Jain
14. Sandeep Jain

The names of the directors of the non-individual promoter of Flamingo Finance & Investment Company Limited are mentioned in this section under details of all such promoters.

### Shareholding Pattern

Set forth below, is the shareholding pattern of Flamingo Finance & Investment Company Limited as on the date of this Draft Letter of Offer:

| Sr. No.                      | Name of the Equity Shareholder                 | No. of Equity Shares held | % age of Shareholding |
|------------------------------|--|---------------------------|-----------------------|
| <b>Promoter Shareholding</b> |  |                           |                       |
| 1.                           | Adishwar Enterprises LLP                       | 64,150                    | 32.08                 |
| 2.                           | Devakar Investment & Trading Company Pvt. Ltd. | 37,550                    | 18.77                 |
| 3.                           | Ramaniya Finance and Investment Co.(P) Ltd.    | 3,000                     | 1.50                  |
| 5.                           | S.P.Oswal                                      | 65,767                    | 32.88                 |
| 6.                           | Shakun Oswal                                   | 5,500                     | 2.75                  |
| 7.                           | Suchita Jain                                   | 22,333                    | 11.17                 |
| 8.                           | Sachit Jain                                    | 1,000                     | 0.50                  |
| 9.                           | Deepak Jain                                    | 100                       | 0.05                  |
| 10.                          | Ish Jain                                       | 100                       | 0.05                  |
| 11.                          | Nita Jain                                      | 100                       | 0.05                  |
| 12.                          | Reeka Jain                                     | 100                       | 0.05                  |
| 13.                          | Shri Pal Jain                                  | 100                       | 0.05                  |
| 14.                          | Sudarshan Jain                                 | 100                       | 0.05                  |
| 15.                          | Sandeep Jain                                   | 100                       | 0.05                  |
|                              | <b>Sub-Total</b>                               | <b>2,00,000</b>           | <b>100.00</b>         |
|                              | <b>Public Shareholding</b>                     | Nil                       | Nil                   |
|                              | <b>Total</b>                                   | <b>2,00,000</b>           | <b>100.00</b>         |

### Change in the management/control

There has been no change in the management/control of Flamingo Finance & Investment Company Limited during the last three years.

### Confirmations:

1. Flamingo Finance & Investment Company Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

### Financial Information

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                |                |
|--|---|----------------|----------------|
|  | March 31, 2016  | March 31, 2015 | March 31, 2014 |
| Equity Capital   | 20.00   | 20.00          | 20.00          |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 850.05  | 683.44         | 601.27         |
| Net worth  | 870.05  | 703.44         | 621.27         |
| Income including other income  | 167.82  | 92.17          | 53.95          |
| Profit/ (Loss) after tax   | 166.61  | 82.17          | 52.33          |
| Earnings per share (face value of ₹ 10.00 each)  | 83.31   | 41.08          | 26.16          |
| No. of equity shares (In lakhs)  | 2.00  | 2.00           | 2.00           |
| Net asset value/ Book Value per share (₹)  | 435.03  | 351.72         | 310.64         |

### **DEVAKAR INVESTMENT & TRADING COMPANY PRIVATE LIMITED**

Devakar Investment & Trading Company Private Limited was incorporated on 8th May, 1980 under the Companies Act, 1956, with the Registrar of Companies, Maharashtra. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects are:

- To carry on the business of an Investment Company and to buy, sell, invest in, acquire, hold and deal in all kinds of Shares, stocks, debentures, debenture-stock, bonds, obligations and securities of any kind issued or guaranteed by the Company constituted or carrying on business in India or elsewhere and debentures, debenture-stock, bonds, obligations and securities of any kind issued or guaranteed by any Government, central, State, Dominions, Sovereign Rulers, Public body or authority, Supreme, Municipal, Local or otherwise, firm or person whether in India or elsewhere.
- To carry on the business, in India and elsewhere, as general merchants, stockists, contractors, distributors, and traders in all kinds of goods and commodities, on ready or forwarded basis, commission agents, buying and selling agents, brokers, importers and exporters and to act as, manufacturer's representative.
- To carry on the business of trading, as investors, hedgers, arbitrageurs, in all kinds of agriculture products, metals including precious metals, stones, diamonds, petroleum and energy products, all kinds of securities including but not limiting to equity/ preference/ any other kind of shares, stocks, debentures, bonds and all currencies in spot market and/or in future and all kind of derivative and/ or any other related product of all commodities, securities and currencies, presently permitted under the laws or that may be available and permitted in future.

Devakar Investment & Trading Company Private Limited is engaged in investment and lending activities.

The CIN or corporate identification number of Devakar Investment & Trading Company Private Limited is U67120PB1980PTC022317.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** The Company had changed Registered Office from the State of Maharashtra to State of Punjab vide CLB order dated 28.01.1999.

#### Board of directors

As on the date of this Draft Letter of Offer, the Board of Directors of Devakar Investment & Trading Company Private Limited comprises:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain

#### Promoters of Devakar Investment & Trading Company Private Limited:

1. Mr. S.P. Oswal
2. Mrs. Shakun Oswal
3. Mr. Sachit Jain
4. Mrs. Suchita Jain
5. Ms. Soumya Jain
6. Ms. Sagrika Jain
7. Adishwar Enterprises LLP
8. Vardhman Textiles Limited

The names of the directors of the non-individual promoter of Devakar Investment & Trading Company Private Limited are mentioned in this section under details of all such promoters.

#### Shareholding Pattern

Set forth below, is the shareholding pattern of Devakar Investment & Trading Company Private Limited as on the date of this Draft Letter of Offer:

| Name of Shareholder          | No. of "A" equity share | % of Shareholding | No. of "B" equity share | % of Shareholding |
|------------------------------|-------------------------|-------------------|-------------------------|-------------------|
| <b>PROMOTERS:</b>            |                         |                   |                         |                   |
| 1. S.P Oswal                 | 10,66,473               | 55.82             | 10,600                  | 46.49             |
| 2. Shakun Oswal              | 2,72,653                | 14.27             | 400                     | 1.75              |
| 3. Suchita Jain              | 4,22,474                | 22.11             | 4,300                   | 18.86             |
| 4. Sachit Jain               | 2,400                   | 0.13              | 7,500                   | 32.90             |
| 5. Soumya Jain               | 2,400                   | 0.13              | -                       | -                 |
| 6. Sagrika Jain              | 2,400                   | 0.13              | -                       | -                 |
| 7. Adishwar Enterprises LLP  | 1,39,237                | 7.29              | -                       |                   |
| 8. Vardhman Textiles Limited | 2,225                   | 0.11              | -                       | -                 |
| <b>PUBLIC:</b>               |                         |                   |                         |                   |
| Individual                   | 143                     | 0.01              | -                       | -                 |
| <b>Total</b>                 | <b>19,10,405</b>        | <b>100.00%</b>    | <b>22,800</b>           | <b>100.00%</b>    |

\* Hon'ble Punjab & Haryana High Court, Chandigarh, vide its order no. 229 of 2015 (O&M) dated 1st August, 2016 had sanctioned the scheme of amalgamation of Anklesh Investments Private Limited, Marshall Investment & Trading Company Private Limited, Plaza Trading Company Private Limited, Pradeep Mercantile Company Private Limited, Srestha Holdings Private Limited and Syracuse Investment & Trading Company Private Limited with Devakar Investment & Trading Company Private Limited.

#### Change in the management/control

There has been no change in the management/control of Devakar Investment & Trading Company Private Limited during the last three years.

**Confirmations:**

1. Devakar Investment & Trading Company Private Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

**Financial Information**

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| A Equity Capital   | 1,536.26  | 1,536.26          | 1,536.26          |
| B Equity Capital   | 22.80   | 22.80             | 22.80             |
| Equity share capital pending allotment   | 374.14  | -                 | -                 |
| Preference Share capital   | 128.00  | -                 | -                 |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 7,694.90  | 3,135.88          | 2,470.48          |
| Net worth  | 9756.10   | 4,694.94          | 4,029.54          |
| Income including other income  | 2,058.58  | 681.13            | 358.11            |
| Profit/ (Loss) after tax   | 2,009.29  | 665.40            | 341.08            |
| Earnings per share (face value of ₹ 100.00 each)   | 105.18  | 42.68             | 21.88             |
| Net worth excluding B Equity capital and Preference Share Capital                            | 9,605.30  | 4,672.14          | 4,006.74          |
| No. of equity shares (A equity (inclusive of equity shares pending allotment)) (In lakhs)    | 19.10   | 15.36             | 15.36             |
| Net asset value/ Book Value per share (₹)  | 502.89  | 304.18            | 260.86            |

**MAHAVIR SPINNING MILLS PRIVATE LIMITED**

Mahavir Spinning Mills Private Limited was incorporated on 26th April, 1978 under the Companies Act, 1956, with the Registrar of Companies, Jalandhar. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects are:

- To carry on the business of Textile Processings viz, Bleaching, Dyeing, Printing, Finishing and Folding of Fibres, Yarn, Fabrics and Knit-Hosiery of all kinds, whether Natural, Artificial, or synthetics, Cotton, Wool, Silk Jute, Ramie, Hemp, Linen, Viscose, Rayon, Artificial Silk, Nylon, Polyester, Acrylic, Polypropylene, Polynosic or any other synthetic fibre Yarn or Fabric and their Blends.
- To carry on the business of Spinners, Weavers, Knitters, Combers, Manufacturers, Producers, Processors Importers, Exporters, Buyers, Sellers of and dealers in all kinds of Yarn and fibres, whether Synthetic, Artificial or Natural, Cotton, Wool, Silk, Jute, Ramie Hemp, Linen, Viscose, Rayon, Artificial Silk, Nylon, Polyester Acrylic, Polypropylene, Polynosic or any other synthetic Fibre or Yarn or Fibrous materials, Textile substances, Allied Products, By-products and Substitutes for all or any of them and to treat utilise and waste arising from any such manufacture, production or process and further to carry on or be interested in the business of ginning, pressing, Bailing or Cotton, Kapas, Yarn, Cotton waste, yarn Waste, Hemp, Jute or other fibrous materials and the cultivation thereof.
- To carry on the business of manufacturers, producers, processors, Importers, Exporters, Buyers, Sellers of and Dealers in all kinds of Fabrics and Textile and Hosiery Goods prepared or manufactured from Cotton, Wool, Silk, Jute, Ramie, Hemp, Linen viscose, Rayon, Artificial Silk, Nylon, Polyester, Acrylic, Polypropylene, Polynosic .or any other Synthetics, Artificial and Natural yarn and Fibre and converters of Synthetics, Artificial and Natural Yarn and Fibre and converters of Synthetics, Artificial and Natural Fibres including fibre glass into materials like cloth, Ready Made Garments, Made Ups, Ropes, Tapes, Yarn, Hosiery Goods Dress Makers, Furries, Clothers and outfitters.
- To carry on the business of manufacturers, producers, Importers, Exporters, Buyers and Sellers of and

Dealers in all kinds of Dyes, Chemicals and Textile Auxiliaries.

- To carry on the business of trading, as investors, hedgers, arbitrageurs, in all kinds of agriculture products, metals including precious metals, stones, diamonds, petroleum and energy products, all kinds of securities including but not limiting to equity/ preference/ any other kind of shares, stocks, debentures, bonds and all currencies in spot market and/or in future and all kind of derivative and/ or any other related product of all commodities, securities and currencies, presently permitted under the laws or that may be available and permitted in future.

Mahavir Spinning Mills Private Limited is mainly engaged in the business of trading in securities.

The CIN or corporate identification number of Mahavir Spinning Mills Private Limited is U45202PB1978PTC003831.

For further details, please refer to the sections titled —Capital Structure and —History and Certain Corporate Matters beginning on pages 48 and 111, respectively, of this Draft Letter of Offer.

**Change in Registered Office:** No change in Registered Office Address

#### Board of directors

As on the date of this Draft Letter of Offer, the Board of Directors of Mahavir Spinning Mills Private Limited comprises:

- Mr. S.P. Oswal
- Mrs. Shakun Oswal
- Mr. Sachit Jain

#### Promoters of Mahavir Spinning Mills Private Limited:

- Mr. S.P. Oswal
- Mrs. Shakun Oswal
- Mr. Sachit Jain
- Mrs. Suchita Jain
- Amber Syndicate
- Devakar Investment & Trading Company Private Limited

The names of the directors of the non-individual promoter of Mahavir Spinning Mills Private Limited are mentioned in this section under details of all such promoters.

#### Shareholding Pattern

Set forth below, is the shareholding pattern of Mahavir Spinning Mills Private Limited as on the date of this Draft Letter of Offer:

| Sr. No.                      | Name of the Equity Shareholder            | No. of Equity Shares held | % age of Shareholding |
|------------------------------|---|---------------------------|-----------------------|
| <b>Promoter Shareholding</b> |   |                           |                       |
| 1.                           | S.P. Oswal                                | 15,183                    | 50.52                 |
| 2.                           | Devakar Investment & Trading Co. (P) Ltd. | 4,850                     | 16.14                 |
| 3.                           | Suchita Jain                              | 5,187                     | 19.36                 |
| 4.                           | Shakun Oswal                              | 4,050                     | 13.48                 |
| 5.                           | Sachit Jain                               | 100                       | 0.33                  |
| 6.                           | Amber Syndicate                           | 50                        | 0.17                  |
|                              | <b>Sub-Total</b>                          | <b>30,050</b>             | <b>100.00</b>         |
|                              | <b>Public Shareholding</b>                | -                         | -                     |
|                              | <b>Total</b>                              | <b>30,050</b>             | <b>100.00</b>         |

#### Change in the management/control

There has been no change in the management/control of Mahavir Spinning Mills Private Limited during the last three years.

**Confirmations:**

1. Mahavir Spinning Mills Private Limited is an unlisted company.
2. It has not become a sick Company under the meaning of SICA, and is not under winding up. It does not have a negative net worth.

**Financial Information**

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 3.01  | 3.01              | 3.01              |
| Preference Share Capital   | 300.00  | 300.00            | 300.00            |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 207.10  | 177.93            | 153.66            |
| Net worth  | 510.11  | 480.94            | 456.67            |
| Income including other income  | 33.92   | 20.49             | 26.03             |
| Profit/ (Loss) after tax   | 29.18   | 24.26             | 16.79             |
| Earnings per share (face value of ₹ 10.00 each)  | 97.09   | 80.74             | 55.89             |
| Net worth excluding Preference share capital   | 210.11  | 180.94            | 156.67            |
| No. of equity shares (In lakhs)  | 0.30  | 0.30              | 0.30              |
| Net asset value/ Book Value per share (₹)  | 700.37  | 603.13            | 522.23            |

**ADISHWAR ENTERPRISES LLP**

Adishwar Enterprises LLP was incorporated on 5th June, 2014 under the Companies Act, 1956, with the Registrar of Companies, Chandigarh. The registered office address is Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana.

The main objects of LLP are:

- To purchase, hold, take on lease or exchange, take on mortgage and give on mortgage, hire or purchase acquire and hold or deal in any movable or immovable property including lands, buildings, houses, flats, bungalows, shops, officers, godowns, licenses and any rights, interests and privileges therein and to develop and turn them to account or let them out on rent.
- To buy, sell, invest in, acquire, hold and deal in all kinds of Shares, stocks, debentures, debenture-stock, bonds, obligations and securities of any kind issued or guaranteed by the Company constituted or carrying on business in India or elsewhere and debentures, debenture-stock, bonds, obligations and securities of any kind issued or guaranteed by any Government, central, State, Dominions, Sovereign Rulers, Public body or authority, Supreme, Municipal, Local or otherwise, firm or person whether in India or elsewhere.
- To carry on the business, in India and elsewhere, as general merchants, stockists, contractors, distributors, and traders in all kinds of goods and commodities, on ready or forward basis, commission agents, buying and selling agents, brokers, importers and exporters and to act as, manufacturer's representative.
- To carry on the business of trading, as investors, hedgers, arbitrageurs, in all kinds of agriculture products, metals including precious metals, stones, diamonds, petroleum and energy products, all kinds of securities including but not limiting to equity/ preference/ any other kind of shares, stocks, debentures, bonds and all currencies in spot market and/or in future and all kind of derivative and/ or any other related product of all commodities, securities and currencies, presently permitted under the laws or that may be available and permitted in future.

Adishwar Enterprises LLP mainly carries the business of investment and real estate.

The LLPIN of Adishwar Enterprises LLP is AAC-3482.

**Change in Registered Office:** The LLP had changed Registered Office address.

| Earlier Address                               | New Address   | Effective date |
|---|---|----------------|
| Vardhman Premises, Chandigarh Road, Ludhiana. | Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana. | 26.06.2014     |

**Partners:**

Partners of Adishwar Enterprises LLP as on date of this Draft Offer document are:

1. Mr. S.P. Oswal (Designated Partner)
2. Mr. Shakun Oswal (Designated Partner)
3. Mr. Sachit Jain (Designated Partner)
4. Mrs. Suchita Jain (Partner)
5. Ms. Soumya Jain (Partner)
6. Ms. Sagrika Jain (Partner)

**Financial Information:**

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                |
|--|---|----------------|
|  | March 31, 2016  | March 31, 2015 |
| Contribution from Partners   | 403.62  | 403.62         |
| Reserves and Surplus (including surplus being the profit/ loss made during the year) | 13,100.49   | 10,373.88      |
| Income including other income  | 3,433.28  | 1,575.84       |
| Profit/ (Loss) after tax   | 3,426.61  | 1,560.17       |

**EASTERN TRADING COMPANY**

Eastern Trading Company, Partnership Firm, was constituted on 13<sup>th</sup> November, 1982. The registered office address is Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana.

The business of the partnership firm is dealing in goods and commodities, money lending, acting as commission agents or holding assets by way of investment and/or any other business or businesses is agreed upon from time to time.

**Partners:**

Partners of Eastern Trading Company as on date of this Draft Offer document are:

1. Mrs. Shakun Oswal
2. Mr. S.P. Oswal
3. Devakar Investment and Trading Company Private Limited

The names of the directors of the non-individual promoter of Eastern Trading Company are mentioned in this section under details of all such promoters.

**Financial Information:**

| Financial Information | For The Year Ended<br>( ₹in lakhs, except per share data) |                |                |
|-----------------------|---|----------------|----------------|
|                       | March 31, 2016  | March 31, 2015 | March 31, 2014 |
| Capital               | 15.15   | 6.10           | 6.32           |
| Income                | 15.06   | 6.79           | 3.84           |
| Net Profit            | 15.05   | 6.78           | 3.83           |

### **NORTHERN TRADING COMPANY**

Northern Trading Company, Partnership Firm, was constituted on 16<sup>th</sup> October, 1982. The registered office address is Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana.

The business of the partnership firm is dealing in goods and commodities, money lending, acting as commission agents or holding assets by way of investment and/or any other business or businesses is agreed upon from time to time.

#### **Partners:**

Partners of Northern Trading Company as on date of this Draft Offer document are:

1. Mrs. Shakun Oswal
2. Mr. S.P. Oswal

#### **Financial Information:**

| Financial Information | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|-----------------------|---|-------------------|-------------------|
|                       | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Capital               | 20.39   | 8.35              | 7.87              |
| Income                | 21.05   | 9.49              | 5.37              |
| Net Profit            | 21.04   | 9.48              | 5.35              |

### **PARAS SYNDICATE**

Paras Syndicate, Partnership Firm, was constituted on 2<sup>nd</sup> May, 1980. The registered office address is Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana.

The business of the partnership firm is dealing in goods and commodities, money lending, acting as commission agents or holding assets by way of investment and/or any other business or businesses is agreed upon from time to time.

#### **Partners:**

Partners of Paras Syndicate as on date of this Draft Offer document are:

1. Mr. S.P. Oswal
2. Adishwar Enterprises LLP

The names of the directors of the non-individual promoter of Paras Syndicate are mentioned in this section under details of all such promoters.

#### **Financial Information:**

| Financial Information | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|-----------------------|---|-------------------|-------------------|
|                       | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Capital               | 49.69   | 35.60             | 36.31             |
| Income                | 23.12   | 10.30             | 5.72              |
| Net Profit            | 23.09   | 10.28             | 5.71              |

### **AMBER SYNDICATE**

Amber Syndicate, Partnership Firm, was constituted on 8<sup>th</sup> May, 1980. The registered office address is Auro Mirra Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana.

The business of the partnership firm is dealing in goods and commodities, money lending, acting as commission agents or holding assets by way of investment and/or any other business or businesses is agreed upon from time to time.

**Partners:**

Partners of Amber Syndicate as on date of this Draft Offer document are:

1. Mr. S.P. Oswal
2. Adishwar Enterprises LLP

The names of the directors of the non-individual promoter of Amber Syndicate are mentioned in this section under details of all such promoters.

**Financial Information:**

| Financial Information | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|-----------------------|---|-------------------|-------------------|
|                       | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Capital               | 37.18   | 24.44             | 24.77             |
| Income                | 21.76   | 9.69              | 5.38              |
| Net Profit            | 21.74   | 9.67              | 5.36              |

**MAHAVIR SHARES TRUST**

Mahavir Shares Trust was constituted on 18th January, 2005. This Trust holds shares issued and allotted to Mahavir Spinning Mills Limited (MSML) in lieu of shares of Vardhman Spinning & General Mills Limited (VSGML) held by MSML in the swap ratio pursuant to Scheme of Demerger between VSGML and MSML. The sole beneficiary of Trust is MSML (now known as Vardhman Textiles Limited) and its successors and assigns. The registered office address is Vardhman Premises, Chandigarh Road, Ludhiana.

The objects of the Trust are:

The Trust has been established for the exclusive benefit of the Beneficiary for the purpose of:

- Holding the Trust fund on trust exclusively on behalf of and for the benefit of the Beneficiary in accordance with the terms contained herein;
- Transferring the Trust fund (including the Trust Shares) and/ or realizing the value of the Trust Shares in any manner in accordance with the provisions of this Deed and upon such sale/ realizations, paying the proceeds thereof to the Beneficiary;
- Investing the amount of proceeds as procured under the above sub-clause (2), if any, in such investments in accordance with the provisions of this Deed;
- Utilizing the Trust fund for the purpose of making any investment in any manner whatsoever, which may include creating an encumbrance of any kind on such part of the Trust fund as may be determined;
- Dealing with the Trust fund or entering into any arrangement in relation to the Trust fund in such manner as the Trustees may consider appropriate; and
- Such other activities as may be determined by the trustees with the prior written consent of the Settlor.

**Trustees:**

Trustees of Mahavir Shares Trust as on date of this Draft Offer document are:

1. Mr. Deepak Jain
2. Mr. D.C. Jain

**Financial Information:**

| Financial Information | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|-----------------------|---|-------------------|-------------------|
|                       | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Trust Fund            | 1,788.41  | 1,788.02          | 1787.56           |
| Income                | 399.79  | 175.96            | 96.00             |
| Net Profit            | 399.24  | 175.46            | 95.50             |

**Nature and extent of interest of our Promoters in our Company (VSSL) as on date:**

| Sr. No. | Name   | Number of Equity Shares held in our Company | % age of Shareholding in our Company |
|---------|--|---|--------------------------------------|
| 1.      | S.P. Oswal                                     | 1,32,422                                    | 0.71                                 |
| 2.      | Shakun Oswal                                   | 30,715                                      | 0.16                                 |
| 3.      | Suchita Jain                                   | 54,161                                      | 0.29                                 |
| 4.      | Sachit Jain                                    | 8,001                                       | 0.04                                 |
| 5.      | Soumya Jain                                    | 1,596                                       | 0.01                                 |
| 6.      | Sagrika Jain                                   | 1,548                                       | 0.01                                 |
| 7.      | Eastern Trading Company                        | 11,808                                      | 0.06                                 |
| 8.      | Amber Syndicate                                | 17,249                                      | 0.09                                 |
| 9.      | Northern Trading Company                       | 16,512                                      | 0.09                                 |
| 10.     | Paras Syndicate                                | 18,309                                      | 0.10                                 |
| 11.     | Adishwar Enterprises LLP                       | 25,22,655                                   | 13.60                                |
| 12.     | Devakar Investment & Trading Company Pvt. Ltd. | 13,29,012                                   | 7.16                                 |
| 13.     | Flamingo Finance & Investment Co. Ltd.         | 1,18,102                                    | 0.64                                 |
| 14.     | Ramaniya Finance & Investment Co. Ltd.         | 94,006                                      | 0.51                                 |
| 15.     | Santon Finance & Investment Co. Ltd.           | 1,01,120                                    | 0.54                                 |
| 16.     | Mahavir Spinning Mills Private Limited         | 2,129                                       | 0.01                                 |
| 17.     | Vardhman Holdings Limited                      | 30,80,517                                   | 16.60                                |
| 18.     | VTL Investments Limited                        | 2,26,800                                    | 1.22                                 |
| 19.     | Vardhman Textiles Limited                      | 58,25,000                                   | 31.39                                |
| 20.     | Mahavir Shares Trust                           | 3,19,747                                    | 1.72                                 |
|         | <b>Total</b>                                   | <b>1,39,11,409</b>                          | <b>74.97</b>                         |

Our Promoters are interested in our Company to the extent that they have promoted our Company, to the extent of their shareholding, for which they are entitled to receive the dividend declared, if any and other distribution in respect of Equity Shares, if any by our Company.

Further Mr. Sachit Jain and Mrs. Suchita Jain, who are our Promoter, are also Directors in our Company. Mr. Sachit Jain, Managing Director, of our Company may be deemed to be interested to the extent of remuneration, as per the terms of his appointment and reimbursement of expenses payable to him.

None of our Promoter has given corporate and personal guarantees, respectively, and have secured personal property towards financial facility availed from Bankers to our Company.

Except as stated herein and as stated in "Related Party Disclosure" appearing under section titled "Financial Information" beginning on pages 202 and 165, respectively of this Draft Letter of Offer, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Letter of Offer in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

**Other confirmations:**

We confirm that the Permanent Account Number, Bank Account Number, Company registration number and the address of the Registrar of Companies where our corporate Promoter is registered will be submitted to the Stock Exchanges at the time of filing this Draft Letter of Offer with the Stock Exchanges.

### **Other undertakings and confirmations**

For details of the build-up of our Promoters' shareholding in our Company, please refer to the section titled "Capital Structure –Notes to Capital Structure" on page 48 of the section titled "Introduction" beginning on page 30 of this Draft Letter of Offer.

No violations of securities laws have been committed by our Promoters or members of our Promoter Group or any Group Companies in the past or have any cases currently pending against them. None of (i) our Promoters, Promoter Groups or Group Companies or persons in control of or on the boards of bodies corporate forming part of our Group Companies (ii) the Companies with which any of our Promoters are or were associated as a promoter, director or person in control, are debarred or prohibited from accessing the capital markets or restrained from buying, selling, or dealing in securities under any order or directions passed for any reasons by the SEBI or any other authority or refused listing of any of the securities issued by any such entity by any stock exchange in India or abroad.

### **Common Pursuits**

Our Promoters have not promoted any Promoter Group / Group Companies which are engaged in the line of business similar to our Company as on the date of this Draft Letter of Offer.

### **Interest in the property of our Company**

Our Promoters do not have any other interest in any property acquired by our Company in a period of two years before filing of this Draft Letter of Offer or proposed to be acquired by us as on date of filing the Draft Letter of Offer with RoC.

### **Related Party Transactions**

For the transactions with our Group entities, please refer to section titled "Related Party Disclosure" appearing under the section titled "Financial Information" beginning on pages 202 and 165, respectively, of this Draft Letter of Offer.

Except as stated in "Related Party Disclosure" beginning on page 202 of the Draft Letter of Offer, and as stated therein, our Promoters or any of the Promoter Group Entities do not have any other interest in our business.

### **Payment or Benefit to the Promoters of Our Company**

For details of payments or benefits paid to our Promoters, please refer to the section titled "Our Management" beginning on page 114. Also refer to "Related Party Disclosure" forming part of section titled "Financial Information" and beginning on page 202 and the paragraph on "Nature and extent of Interest of our Promoters in our Company" on page 150 of this Draft Letter of Offer.

### **Companies / Firms from which the Promoters have disassociated in last 3 (three) years**

Except as disclosed below, our Promoters have not disassociated themselves from any of the companies, firms or other entities during the last three years preceding the date of this Draft Letter of Offer:

#### **1. Mr. Sachit Jain:**

| <b>Name of Company/Firm</b>                   | <b>Reason for Disassociation</b> |
|---|----------------------------------|
| VTL Investments Limited                       | Resignation w.e.f. 24.12.2014    |
| Vardhman Spinning and General Mills           | Resignation w.e.f. 20.01.2015    |
| Santon Finance & investment Company Limited   | Resignation w.e.f. 11.02.2015    |
| Flamingo Finance & Investment Company Limited | Resignation w.e.f. 11.02.2015    |
| Ramaniya Finance & investment Company Limited | Resignation w.e.f. 11.02.2015    |
| Vardhman Yarns & Threads Limited              | Resignation w.e.f. 01.09.2016    |

## 2. Mr. S.P. Oswal

| Name of Company/Firm             | Reason for Disassociation     |
|----------------------------------|-------------------------------|
| VTL Investments Limited          | Resignation w.e.f. 24.12.2014 |
| Vardhman Yarns & Threads Limited | Resignation w.e.f. 01.09.2016 |

### Other ventures of our Promoters

Save and except as disclosed in the sections titled "Our Promoters and Promoter Group" and "Our Group Companies / Entities" beginning on pages 126 and 155, respectively, of this Draft Letter of Offer, there are no ventures promoted by our Promoters in which they have any business interests/ other interests.

### Litigation details pertaining to our Promoters

For details on litigations and disputes pending against the Promoters and defaults made by the Promoters, please refer to the section titled "Outstanding Litigations and Material Developments" beginning on page 240 of this Draft Letter of Offer.

### Shareholding of the Promoters and Promoter Group in our Company

Except as disclosed in the section "Capital Structure", none of the members of our Promoter Group hold any Equity Shares as on the date of filing of this Draft Letter of Offer.

### OUR PROMOTER GROUP

- Our Promoter Group as defined under Regulation 2(1)(zb)(iv) of the SEBI (ICDR) Regulations, 2009 includes following entities:

| Nature of Relationship   | Entity   |
|--|--|
| Any Body corporate in which 10 (ten) percent or more of the Equity Share capital is held by the promoter or an immediate relative of the promoter or a firm or HUF in which the promoter or any one or more of his immediate relative is a member. | 1. Santon Finance & Investment Company Limited<br>2. Flamingo Finance & Investment Company Limited<br>3. Ramaniya Finance & Investment Company Limited<br>4. Devakar Investment & Trading Company Private Limited<br>5. Mahavir Spinning Mills Private Limited   |
| Any Body corporate in which a body corporate as provided above holds 10 (ten) percent or more of the Equity Share capital  | Devakar Investment and Trading Company Private Limited holds more than 10% shares of following:<br><br>1. Vardhman Textiles Limited<br>2. Vardhman Holdings Limited<br>3. Vardhman Apparels Limited<br>4. Santon Finance & Investment Company Limited<br>5. Ramaniya Finance & Investment Company Limited<br>6. Flamingo Finance & Investment Company Limited<br>7. Mahavir Spinning Mills Private Limited |
| Any HUF or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than 10 (ten) percent of the total   | 1. Adishwar Enterprises LLP<br>2. Eastern Trading Company<br>3. Northern Trading Company<br>4. Ambar Syndicate<br>5. Paras Syndicate   |

As per 2(1)(zb)(iii) of SEBI (ICDR) Regulations, following entities shall form part of our Promoter Group:

| Nature of Relationship   | Entity  |
|--|---|
| A subsidiary or holding company of Promoters which are body corporate  | Following are the Subsidiary Companies of Vardhman Textiles Limited as on date: <ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited</li> <li>2. VMT Spinning Company Limited</li> <li>3. VTL Investments Limited</li> <li>4. Vardhman Nisshinbo garments Company Limited</li> </ol>   |
| Any body corporate in which the promoter holds ten per cent or more of the Equity Share capital or which holds ten per cent or more of the Equity Share capital of the Promoter.   | Devakar Investment and Trading Company Private Limited holds more than 10% shares of: <ol style="list-style-type: none"> <li>1. Vardhman Textiles Limited</li> <li>2. Vardhman Holdings Limited</li> <li>3. Vardhman Apparels Limited</li> <li>4. Santon Finance &amp; Investment Company Limited</li> <li>5. Ramaniya Finance &amp; Investment Company Limited</li> <li>6. Flamingo Finance &amp; Investment Company Limited</li> <li>7. Mahavir Spinning Mills Private Limited</li> </ol> Vardhman Holdings Limited holds more than 10% shares of: <ol style="list-style-type: none"> <li>1. Vardhman Textiles Limited</li> <li>2. Vardhman Spinning and General Mills Limited</li> </ol> Corporates holding more than 10% in Vardhman Holdings Limited: <ol style="list-style-type: none"> <li>1. Devakar Investment and Trading Company</li> </ol> Vardhman Textiles Limited holds more than 10% shares of: <ol style="list-style-type: none"> <li>1. Vardhman Yarns &amp; Threads Limited</li> <li>2. Vardhman Acrylics Limited</li> <li>3. VMT Spinning Co. Limited</li> <li>4. VTL Investments Limited</li> <li>5. Vardhman Spinning and General Mills Limited</li> <li>6. Vardhman Nisshinbo Garments Company Limited</li> </ol> Corporates holding more than 10% in Vardhman Textiles Limited: <ol style="list-style-type: none"> <li>1. Devakar Investment and Trading Company</li> <li>2. Vardhman Holdings Limited</li> </ol> |
| Any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent or more of the Equity Share capital in that body corporate also holds twenty per cent or more of the Equity Share capital of Issuer | <ol style="list-style-type: none"> <li>1. Vardhman Textiles Limited</li> <li>2. Vardhman Holdings Limited</li> <li>3. Santon Finance &amp; Investment Company Limited</li> <li>4. Flamingo Finance &amp; Investment Company Limited</li> <li>5. Devakar Investment &amp; Trading Company Private Limited</li> <li>6. Vardhman Apparels Limited</li> <li>7. Vardhman Nisshinbo Garments Company Limited</li> <li>8. Vardhman Acrylics Limited</li> <li>9. VMT Spinning Co. Limited</li> </ol>  |

Persons in terms of Regulation 2(1)(zb)(ii) of SEBI (ICDR) Regulations:

| <b>Relationship</b>        | <b>Mr. S. P. Oswal</b>   | <b>Mrs. Shakun Oswal</b>   | <b>Mr. Sachit Jain</b>              | <b>Mrs. Suchita Jain</b>            | <b>Ms. Soumya Jain</b> | <b>Ms. Sagrika Jain</b> |
|----------------------------|--|--|-------------------------------------|-------------------------------------|------------------------|-------------------------|
| <b>Father</b>              | Lt. Shri Rattan Chand Oswal  | Mr. Ram Lal Jain   | Mr. Rajinder Kumar Jain             | Mr. S.P. Oswal                      | Mr. Sachit Jain        | Mr. Sachit Jain         |
| <b>Mother</b>              | Lt. Smt. Banarso Devi  | Mrs. Padmawati Jain  | Mrs. Kamla Jain                     | Mrs. Shakun Oswal                   | Mrs. Suchita Jain      | Mrs. Suchita Jain       |
| <b>Spouse</b>              | Mrs. Shakun Oswal  | Mr. S.P. Oswal   | Mrs. Suchita Jain                   | Mr. Sachit Jain                     | -                      | -                       |
| <b>Brother(s)</b>          | Late Mr. D.K. Oswal<br>Mr. Ashok Oswal                               | Mr. Madan Lal Jain<br>Mr. D.C. Jain                                  | Mr. Gaurav Jain                     | -                                   | -                      | -                       |
| <b>Sister(s)</b>           | Mrs. Santosh Kanta Jain<br>Mrs. Sudarshna Jain<br>Mrs. Raj Rani Jain | Mrs. Trishla Jain<br>Mrs. Keshav Jain                                | -                                   | -                                   | Ms. Sagrika Jain       | Ms. Soumya Jain         |
| <b>Daughter(s)</b>         | Mrs. Suchita Jain  | Mrs. Suchita Jain  | Ms. Soumya Jain<br>Ms. Sagrika Jain | Ms. Soumya Jain<br>Ms. Sagrika Jain | -                      | -                       |
| <b>Son</b>                 | -  | -  | -                                   | -                                   | -                      | -                       |
| <b>Spouse's Father</b>     | Mr. Ram Lal Jain   | Lt. Shri R.C. Oswal  | Mr. S.P. Oswal                      | Mr. Rajinder Kumar Jain             | -                      | -                       |
| <b>Spouse's Mother</b>     | Mrs. Padmawati Jain  | Lt. Smt. Banarso Devi  | Mrs. Shakun Oswal                   | Mrs. Kamla Jain                     | -                      | -                       |
| <b>Spouse's Brother(s)</b> | Mr. Madan Lal Jain<br>Mr. D.C. Jain                                  | Late Mr. D.K. Oswal<br>Mr. Ashok Oswal                               | -                                   | Mr. Gaurav Jain                     | -                      | -                       |
| <b>Spouse's Sister(s)</b>  | Mrs. Trishla Jain<br>Mrs. Keshav Jain                                | Mrs. Santosh Kanta Jain<br>Mrs. Sudarshna Jain<br>Mrs. Raj Rani Jain | -                                   | -                                   | -                      | -                       |

Note: Except Mr. S.P. Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain, Mrs. Suchita Jain, Ms. Soumya Jain and Ms. Sagrika Jain, none of the above mentioned persons are part of promoter group.

## OUR GROUP COMPANIES/ENTITIES

As per the requirements of SEBI (ICDR) Regulations, for the purpose of identification of "group companies", our Company considered companies as covered under the applicable accounting standards, being Accounting Standard 18 (as mentioned in our Restated Financial Statements for Fiscal Year 2016) as our Group Companies. Further, with respect to the companies forming part of our Promoter Group, a company will be considered to be a "group company" for the purpose of disclosure in the Draft Letter of Offer if a material adverse effect on such companies would have a material adverse effect on our Company.

The following are the Group Companies/Entities:

1. Vardhman Textiles Limited
2. Vardhman Holdings Limited
3. Vardhman Acrylics Limited
4. Vardhman Nisshinbo Garments Company Limited
5. Vardhman Yarns & Threads Limited
6. VTL Investments Limited
7. VMT Spinning Company Limited

**Details of five Group Companies as required under Part A of Schedule VIII of SEBI (ICDR) Regulations is as under:**

### I. VARDHMAN TEXTILES LIMITED

For details relating to Vardhman Textiles Limited, please refer to the section titled "Our Promoters and Promoter Group" beginning on page 126 of this Draft Letter of Offer.

The following table sets forth the monthly high and low prices and trading volumes on BSE and NSE for the six months preceding the date of filing of this Draft Letter of Offer:

| Month year     | High (₹) | Date of high       | Volume on date of High (No. of Equity Shares) | Low (₹) | Date of low        | Volume on date of Low (No. of Equity Shares) | Average price for the month (₹) |
|----------------|----------|--------------------|---|---------|--------------------|--|---------------------------------|
| <b>BSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 1289.75  | January 31, 2017   | 151315  | 1085.00 | January 09, 2017   | 601  | 1149.14                         |
| December 2016  | 1122.15  | December 16, 2016  | 1166  | 1026.10 | December 09, 2016  | 3061   | 1098.15                         |
| November 2016  | 1150.00  | November 01, 2016  | 2765  | 1034.20 | November 09, 2016  | 4805   | 1084.62                         |
| October 2016   | 1159.75  | October 28, 2016   | 42991   | 1058.50 | October 14, 2016   | 2374   | 1088.02                         |
| September 2016 | 1116.75  | September 21, 2016 | 122629  | 955.00  | September 20, 2016 | 1406   | 1013.78                         |
| August 2016    | 1105.00  | August 01, 2016    | 2600  | 970.95  | August 23, 2016    | 1225   | 1022.52                         |
| <b>NSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 1290.00  | January 31, 2017   | 14845   | 1090.00 | January 12, 2017   | 25419  | 1149.82                         |
| December 2016  | 1129.75  | December 19, 2016  | 4486  | 1026.00 | December 09, 2016  | 19238  | 1098.29                         |
| November 2016  | 1159.75  | November 01, 2016  | 16931   | 1030.00 | November 09, 2016  | 36654  | 1084.25                         |
| October 2016   | 1159.50  | October 28, 2016   | 160567  | 1055.15 | October 14, 2016   | 22243  | 1087.55                         |
| September 2016 | 1116.00  | September 21, 2016 | 671101  | 954.00  | September 20, 2016 | 12942  | 1014.65                         |
| August 2016    | 1098.00  | August 01, 2016    | 21796   | 973.00  | August 23, 2016    | 7442   | 1022.20                         |

Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

The closing market price of the Equity Shares of our Company as on the day of this Draft Letter of Offer was ₹1,326.80 on the BSE, and ₹ 1,330.05 on the NSE.

## II. VARDHMAN HOLDINGS LIMITED

For details relating to Vardhman Holdings Limited, please refer to the section titled "Our Promoters and Promoter Group" beginning on page 126 of this Draft Letter of Offer.

The following table sets forth the monthly high and low prices and trading volumes on BSE and NSE for the six months preceding the date of filing of this Draft Letter of Offer:

| Month year     | High (₹) | Date of high       | Volume on date of High (No. of Equity Shares) | Low (₹) | Date of low        | Volume on date of Low (No. of Equity Shares) | Average price for the month (₹) |
|----------------|----------|--------------------|---|---------|--------------------|--|---------------------------------|
| <b>BSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 2350.05  | January 31, 2017   | 205   | 1750.00 | January 03, 2017   | 50   | 1984.68                         |
| December 2016  | 1944.95  | December 01, 2016  | 55  | 1692.00 | December 26, 2016  | 11   | 1796.94                         |
| November 2016  | 2100.00  | November 01, 2016  | 53  | 1659.95 | November 18, 2016  | 58   | 1881.17                         |
| October 2016   | 2210.00  | October 05, 2016   | 1370  | 1515.00 | October 03, 2016   | 520  | 2015.69                         |
| September 2016 | 1500.00  | September 29, 2016 | 151   | 1315.00 | September 20, 2016 | 70   | 1409.42                         |
| August 2016    | 1460.00  | August 25, 2016    | 279   | 1200.00 | August 08, 2016    | 159  | 1350.76                         |
| <b>NSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 2393.75  | January 31, 2017   | 503   | 1725.10 | January 03, 2017   | 84   | 1966.39                         |
| December 2016  | 1945.85  | December 01, 2016  | 88  | 1639.70 | December 27, 2016  | 56   | 1782.31                         |
| November 2016  | 2092.95  | November 01, 2016  | 1213  | 1659.50 | November 18, 2016  | 266  | 1868.81                         |
| October 2016   | 2258.00  | October 05, 2016   | 6747  | 1489.00 | October 03, 2016   | 5122   | 2001.88                         |
| September 2016 | 1500.00  | September 29, 2016 | 663   | 1300.05 | September 26, 2016 | 150  | 1407.05                         |
| August 2016    | 1465.00  | August 25, 2016    | 486   | 1217.40 | August 05, 2016    | 47   | 1343.93                         |

Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

The closing market price of the Equity Shares of our Company as on the day of this Draft Letter of Offer was ₹2,346.85 on the BSE, and ₹ 2,330.90 on the NSE.

## III. VARDHMAN ACRYLICS LIMITED

Vardhman Acrylics Limited is a company incorporated under the Companies Act, 1956 on 24th December, 1990 and has its registered office at Vardhman Premises, Chandigarh road, Ludhiana.

In terms of its memorandum of association, the main objects of Vardhman Acrylics Limited are:

- To carry on the business of Manufacturers, Producers, Processors, Spinners, Weavers, Knitters, Combers, Importers, Exporters, Buyers, Sellers of and Dealers in all kinds of Fibres and Yarn whether Synthetic, Artificial or Natural, viz. Polyester, Polypropylene, Nylon, Acrylic, Polynosic or other Synthetic Fibres/Yarns, Artificial Silk, Viscose, Rayon or other Man-Made fibres or yarns, Cotton Wool, Worsted, Shoddy, Silk, Jute, Ramie, Hemp, Linen or any other Fibrous Materials, Textile Substances, Allied products, By-products, Waste products and substitutes for all or any of them and to treat and to utilise any waste arising from any such manufacture, production or process and further to carry on the business of ginning, pressing, baling or otherwise packing of Cotton, Kapas, Yarn, waste to all kinds of raw-materials, whether Synthetic, Artificial or Natural, yarn Waste, Hemp, Jute, or other Fibrous materials and the cultivation of such raw materials.
- To carry on the business of manufacturers, producers, processors, importers, exporters, buyers, sellers of and dealers in all kind of fibres, fabrics and textiles and hoisery goods prepared or manufactured from Cotton, Wool, Worsted, Shoddy, Silk, Jute, Ramie, Hemp, Linen, Viscose, Rayon, Artificial Silk, Nylon, Polyester, Acrylic, Polypropylene, Polynosic or any other Synthetic, artificial and Natural Yarn, Fibre and converters of Synthetic, Artificial and Natural Fibres including Fibre glass or their wastes or waste products into materials like Cloth, Readymade garments, Made Ups, Ropes, Tapes, Yarns, Hoisery Goods, Dress Makers, Furriers, Clothier and Outfitters.

- To carry on the business of Textiles Processing viz. Bleaching, Dyeing, Printing, Finishing and Folding of Fibres, Yarns, Fabrics and Knit-Hoisery of all kinds, whether Natural, Artificial or Synthetic, Cotton, Wool, Silk, Jute, Ramie, Hemp, Linen, Viscose, Rayon, Artificial Silk, Nylon, Polyester, Acrylic, Polypropylene, Polynosic or any other Synthetic Fibre, Yarn or Fabric and their Blends, including worsted Shoddy.

Vardhman Acrylics Limited is engaged in the business of manufacturing of Acrylic Fibre.

The CIN or corporate identification number of Vardhman Acrylics Limited is L51491PB1990PLC019212

### Board of Directors

- Mr. S.P. Oswal
- Mr. Surinder Kumar Bansal
- Mr. B.K. Choudhary
- Mr. Sanjit Paul Singh
- Mr. D.L. Sharma
- Mr. Sachit Jain
- Mr. Munish Chandra Gupta
- Mrs. Geeta Mathur

### Equity Share Capital

Shareholding Pattern as on the December 31st, 2016:

| Sr. No. | Name of the Equity Shareholder  | No. of Equity Shares held | % age of Shareholding |
|---------|---|---------------------------|-----------------------|
|         | <b>PROMOTER GROUP</b>   |                           |                       |
| 1.      | Vardhman Textiles Limited   | 6,58,00,834               | 70.75                 |
| 2.      | Vardhman Holdings Limited   | 8,15,561                  | 0.88                  |
| 3.      | VTL Investments Limited   | 78,170                    | 0.08                  |
| 4.      | Santon Finance and Investment Company Limited                                 | 100                       | 0.00                  |
| 5.      | Devakar Investment & Trading Company (P) Limited                              | 28,82,602                 | 3.10                  |
| 6.      | Mahavir Spinning Mills Private Limited  | 100                       | 0.00                  |
| 7.      | Flamingo Finance & Investment Company Limited                                 | 100                       | 0.00                  |
| 17.     | Ramaniya Finance and Investment Co. Ltd.                                      | 100                       | 0.00                  |
| 8.      | Adishwar Enterprises LLP  | 10                        | 0.00                  |
| 9.      | S.P. Oswal  | 10                        | 0.00                  |
| 10.     | Shakun Oswal  | 10                        | 0.00                  |
| 11.     | Sachit Jain   | 10                        | 0.00                  |
|         | <b>TOTAL</b>  | <b>6,95,77,607</b>        | <b>74.81</b>          |
|         | <b>PUBLIC SHAREHOLDING</b>  |                           |                       |
| 1.      | <b>Institutions</b>   |                           |                       |
| a       | Mutual Fund   | 32,959                    | 0.04                  |
| b       | Foreign Portfolio Investors   | 10,36,247                 | 1.11                  |
| c       | Financial Institutions/ Banks   | 21,262                    | 0.02                  |
| 2.      | <b>Non-institutions</b>   |                           |                       |
| a       | Individuals:  |                           |                       |
|         | • Individual shareholders holding nominal share capital upto 2 lakhs.         | 1,20,91,755               | 13.00                 |
|         | • Individual shareholders holding nominal share capital in excess of 2 lakhs. | 59,35,647                 | 6.38                  |
| b       | Any Other (specify) # CORPORATE BODY  | 39,62,215                 | 4.26                  |
| c       | Any Other (specify) # NRI   | 2,95,134                  | 0.32                  |
| d       | Any Other (specify) # TRUSTS  | 55,010                    | 0.06                  |
|         | <b>TOTAL</b>  | <b>2,34,30,229</b>        | <b>25.19</b>          |
|         | <b>GRAND TOTOAL</b>   | <b>9,30,07,836</b>        | <b>100.00</b>         |

**Confirmations:**

1. Vardhman Acrylics Limited is a listed Company and it has not made any public issue (including any rights issue to the public) in the preceding three years.
2. It has not become a sick Company under the meaning of SICA.

**Financial Performance**

The audited financial results of Vardhman Acrylics Limited, for the last three Financial Years, preceding the date of this Draft Letter of Offer are as follows:

| Audited Financial Information  | For The Year Ended<br>( ₹in lakhs, except per share data) |                   |                   |
|--|---|-------------------|-------------------|
|  | March 31,<br>2016   | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 9,300.78  | 9,300.78          | 9,300.78          |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 20,221.72   | 22,830.68         | 20,807.23         |
| Net worth  | 29,522.50   | 32,131.46         | 30,108.01         |
| Income including other income  | 41,750.94   | 51,423.55         | 48,912.29         |
| Profit/ (Loss) after tax   | 2,982.86  | 3,342.11          | 4,366.97          |
| Earnings per share (face value of ₹ 10.00 each)  | 3.21  | 3.59              | 4.69              |
| No. of equity shares (In lakhs)  | 930.08  | 930.08            | 930.08            |
| Net asset value/ Book value per share (₹)  | 31.74   | 34.55             | 32.37             |

The following table sets forth the monthly high and low prices and trading volumes on NSE for the six months preceding the date of filing of this Draft Letter of Offer:

| Month year     | High (₹) | Date of high       | Volume on date of High (No. of Equity Shares) | Low (₹) | Date of low        | Volume on date of Low (No. of Equity Shares) | Average price for the month (₹) |
|----------------|----------|--------------------|---|---------|--------------------|--|---------------------------------|
| <b>NSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 49.50    | January 23, 2017   | 216552  | 45.00   | January 30, 2017   | 128361                                       | 47.76                           |
| December 2016  | 48.90    | December 06, 2016  | 183260  | 45.00   | December 05, 2016  | 73470  | 46.84                           |
| November 2016  | 49.00    | November 01, 2016  | 69393   | 40.25   | November 09, 2016  | 128100                                       | 45.59                           |
| October 2016   | 51.90    | October 20, 2016   | 267300  | 41.65   | October 03, 2016   | 395081                                       | 47.89                           |
| September 2016 | 46.90    | September 22, 2016 | 379748  | 38.55   | September 20, 2016 | 57012  | 41.43                           |
| August 2016    | 43.35    | August 26, 2016    | 119786  | 35.00   | August 05, 2016    | 26935  | 38.03                           |

Source: [www.nseindia.com](http://www.nseindia.com)

The closing market price of the Equity Shares of our Company as on the day of this Draft Letter of Offer was ₹45.70 on the NSE.

**IV. VARDHMAN YARNS AND THREADS LIMITED**

Vardhman Yarns and Threads Limited is a company incorporated under the Companies Act, 1956 on 4th February, 2005 and has its registered office at Vardhman Premises, Chandigarh road, Ludhiana.

In terms of its memorandum of association, the main objects of Vardhman Yarns and Threads Limited are:

To carry on the business of manufacturers and Distributors of all types of sewing threads, twines and braids, whether natural, artificial or synthetic, to sort, blend, prepare, comb, dye, bleach, spin, twist, double, wind, wrap, weave, mend, finish, make up and otherwise process, buy, sell, import, export and deal in fibers and threads whether natural, artificial or synthetic, yarn.

Vardhman Yarns and Threads Limited is engaged in the business of threads manufacturing and distribution.

The CIN or corporate identification number of Vardhman Yarns and Threads Limited is U17230PB2005PLC027936.

#### Board of Directors

1. Mr. John Leslie Miller
2. Mr. Darshan Lal Sharma
3. Mr. Craig George Stover
4. Mr. Robert Lardner Hallet
5. Mr. Kristen Higbee Hughes
6. Mr. Dinesh Kumar Sindwani
7. Mr. Updeep Singh Chatrath
8. Mrs. Apinder Sodhi

#### Equity Share Capital

Shareholding Pattern as on the date of this Draft Letter of Offer is as follows:

| Sr. No. | Name of the Equity Shareholder                              | No. of Equity Shares held | % age of Shareholding |
|---------|---|---------------------------|-----------------------|
| 1       | American & Efid Global, LLC                                 | 5,07,35,655               | 89.00                 |
| 2       | Vardhman Textiles Limited                                   | 62,70,639                 | 11.00                 |
| 3       | Mr. S.P. Oswal<br>(Nominee of Vardhman Textiles Limited)    | 10                        | 0.00                  |
| 4       | Mr. D. L. Sharma<br>(Nominee of Vardhman Textiles Limited)  | 10                        | 0.00                  |
| 5       | Mr. Sachit Jain<br>(Nominee of Vardhman Textiles Limited)   | 10                        | 0.00                  |
| 6       | Mr. Neeraj Jain<br>(Nominee of Vardhman Textiles Limited)   | 10                        | 0.00                  |
| 7       | Mr. Rajeev Thapar<br>(Nominee of Vardhman Textiles Limited) | 10                        | 0.00                  |
| 8       | Mr. Mahesh Arora<br>(Nominee of Vardhman Textiles Limited)  | 10                        | 0.00                  |
|         | <b>TOTAL</b>  | <b>5,70,06,354</b>        | <b>100.00</b>         |

#### Confirmations:

1. Vardhman Yarns and Threads Limited is an unlisted Company.
2. It has not become a sick Company under the meaning of SICA.

#### Financial Performance

The audited financial results of Vardhman Yarns and Threads Limited, for the last three Financial Years, preceding the date of this Draft Letter of Offer are as follows:

| Audited Financial Information  | For The Year Ended<br>( ₹ in lakhs, except per share data) |                   |                   |
|--|--|-------------------|-------------------|
|  | March 31,<br>2016  | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 5700.64  | 5700.64           | 5700.64           |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 29,809.74  | 42,679.59         | 39,686.28         |
| Net worth  | 35,510.38  | 48,380.23         | 45,386.92         |
| Income including other income  | 73,807.52  | 71,063.73         | 65,778.05         |
| Profit/ (Loss) after tax   | 8,654.77   | 7,204.40          | 6,998.81          |
| Earnings per share (face value of ₹ 10.00 each)  | 15.18  | 12.64             | 12.28             |
| No. of equity shares (in lakhs)  | 570.06   | 570.06            | 570.06            |
| Net asset value/ Book value per share (₹)  | 62.29  | 84.87             | 79.62             |

## V. VMT SPINNING COMPANY LIMITED

VMT Spinning Company Limited (formerly known as Loyal Tamarai Textiles Limited) is a Company incorporated under the Companies Act, 1956 on 27th June, 1990 and has its registered office at Vardhman Premises, Chandigarh Road, Ludhiana.

In terms of its memorandum of association, the main objects of VMT Spinning Company Limited are:

- To manufacture, buy, sell or otherwise deal in all kind of sewing threads, industrial threads and other threads, in India or abroad.
- To carry on the business of spinning, weaving, manufacturing, bleaching, dyeing, printing, mercerising & otherwise treating & selling yarn, cloth & other fabrics, woven, or knitted from raw cotton, cotton & yarn waste, jute, wool, staple fibre, artificial silk & other suitable materials & generally to carry on the business of cotton & synthetic spinning, weaving & knitting in all their branches.
- To carry on or to be interested in all or any of the business of cotton spinners and doublers cotton and yarn waste spinners doublers, flax, hemp, jute and wool merchants, wool combers, worsted stuff manufacturer, bleachers and dyers, and makers of vitriol, bleaching, dyeing and finishing materials and to purchase, comb, prepare, spin, dye and deal in flax, hemp, jute, wool, cotton, silk and other fibrous substances, natural or man made, and to weave or otherwise manufacture, buy, sell, deal in linen, cloth and other goods and fabrics, whether textiles felted, netted or looped.

VMT Spinning Company Limited is mainly engaged in the business of manufacturing of yarn.

The CIN or corporate identification number of VMT Spinning Company Limited is U17117PB1990PLC014070

### Board of Directors

1. Mr. S.P. Oswal
2. Mr. D.L. Sharma
3. Mr. Neeraj Jain
4. Mrs. Harpreet Kang
5. Mr. Hiroki Inoue
6. Dr. Sandeep Kapur

### Equity Share Capital

Shareholding Pattern as on the date of this Draft Letter of Offer is as follows:

| Sr. No. | Name of the Equity Shareholder                 | No. of Equity Shares held | % age of Shareholding |
|---------|--|---------------------------|-----------------------|
|         | <b>PROMOTER GROUP</b>                          |                           |                       |
| 1       | Vardhman Textiles Limited                      | 1,85,15,060               | 89.44                 |
| 2       | Mr. S.P. Oswal                                 | 36                        | 0.00                  |
| 3       | Mrs. Shakun Oswal                              | 40                        | 0.00                  |
| 4       | Flamingo Finance & Investment Company Limited  | 36                        | 0.00                  |
| 5       | Santon Finance and Investment Company Limited  | 36                        | 0.00                  |
| 6       | Adishwar Enterprises LLP                       | 8                         | 0.00                  |
| 7       | Devakar Investment and Trading Company Limited | 24                        | 0.00                  |
| 8       | Marubeni Corporation                           | 13,80,000                 | 6.67                  |
| 9       | Marubeni Hong Kong & South China Limited       | 8,05,000                  | 3.89                  |
|         | <b>TOTAL</b>                                   | <b>2,07,00,240</b>        | <b>100</b>            |

### Confirmations:

1. VMT Spinning Co. Limited is an unlisted Company.
2. It has not become a sick Company under the meaning of SICA.

## Financial Performance

The audited financial results of VMT Spinning Company Limited, for the last three Financial Years, preceding the date of this Draft Letter of Offer are as follows:

| Audited Financial Information  | For The Year Ended<br>( ₹ in lakhs, except per share data) |                   |                   |
|--|--|-------------------|-------------------|
|  | March 31,<br>2016  | March 31,<br>2015 | March 31,<br>2014 |
| Equity Capital   | 2,070.02   | 2,070.02          | 2,070.02          |
| Reserves and Surplus (excluding Revaluation Reserve and Less Miscellaneous Expenses, if any) | 7,578.60   | 7,339.35          | 7,380.30          |
| Net worth  | 9,648.62   | 9,409.37          | 9,450.32          |
| Income including other income  | 15,862.33  | 17,036.40         | 15,909.26         |
| Profit/ (Loss) after tax   | 736.36   | 279.41            | 1,703.53          |
| Earnings per share (face value of ₹ 10.00 each)  | 3.56   | 1.35              | 8.23              |
| No. of equity shares (In lakhs)  | 207.00   | 207.00            | 207.00            |
| Net asset value/ Book value per share (₹)  | 46.61  | 45.46             | 45.65             |

## Other Group Companies

### VI. Vardhman Nisshinbo Garments Company Limited

Vardhman Nisshinbo Garments Company Limited (formerly known as Vardhman Texgarments Limited) is a joint venture partnership of 51:49 between Vardhman Textiles Limited and Nisshinbo Textiles Inc. The Company was incorporated under Companies Act, 1956 on 17<sup>th</sup> April, 2009 and has its registered office at Vardhman Premises, Chandigarh Road, Ludhiana.

Vardhman Nisshinbo Garments Company Limited is presently engaged in the business of manufacturing men's shirts. Vardhman Textiles Limited holds 51% equity shares of Vardhman Nisshinbo Garments Company Limited.

### VII. VTL Investments Limited

VTL Investments Limited is mainly engaged in the business of investment and lending activities. The registered office of the Company is Vardhman Premises, Chandigarh Road, Ludhiana. Vardhman Textiles Limited holds 100% equity shares of VTL Investments Limited.

VIII. Other than the companies defined as "Group Companies as per AS-18", and the companies in group disclosed elsewhere in the Draft Letter of Offer, the following companies are also in the group:-

- Vardhman Apparels Limited
- Vardhman Spinning & General Mills Limited

## Outstanding Litigation

There are no outstanding litigation against our Promoter and group company, except as disclosed in the section titled "Risk Factors" and section titled "Outstanding Litigation and Material Developments" beginning on pages 12 and 240, respectively, of this Draft Letter of Offer.

## Related Party Transactions

For details, please refer to "Related Party Disclosure" appearing under section titled "Financial Information" beginning on pages 202 and 165, respectively, of this Draft Letter of Offer.

## Payment of amount or benefits to our Group Companies during the last 2 (two) years

Except as stated herein and as stated in "Related Party Disclosure" appearing under section titled "Financial Information" beginning on pages 202 and 165, respectively of this Draft Letter of Offer, no amount or benefits were paid or were intended to be paid to our Group Companies since the incorporation of our Company.

**Nature and extent of interest of Group Companies (Other than Promoter Companies)*****In the promotion of our Company:***

None of our Group Companies have any interest in the promotion or any business interest or other interest in our Company.

***In the properties acquired or proposed to be acquired by our Company in the past two years before filing this Draft Letter of Offer:***

The Company did not acquire any property in the last two years. Hence, none of the Group Company is interested in the properties acquired by our Company in the two years preceding the filing of this Draft Letter of Offer, or proposed to be acquired.

***In transaction for acquisition of land, construction of building and supply of machinery:***

None of the Group Companies are interested in any transaction for acquisition of land, construction of building or supply of machinery.

***Common pursuits amongst the Group Companies with our Company:***

In relation to Steel Business, there are no common pursuits amongst any of the Group Companies and our Company.

***Related Business Transactions within the Group Companies and significance on the financial performance:***

For details, please refer to the section titled "Financial Information" beginning on page 165 of this Draft Letter of Offer. Other than as discussed under the head "Related Party Disclosure" beginning on page 202 of this Draft Letter of Offer, there are no sales/ purchases between our Company and the Group Companies, wherein sales/ purchase exceed in value aggregate of 10% of the total sales or purchases of our Company.

**Business interest in Group Companies in our Company:**

We have entered into certain business contracts with our Group Companies. For details, please refer to "Related Party Disclosure" beginning on page 202 of the Draft Letter of Offer.

Other than as stated above, none of the Group Companies and Associates has any business interest in our Company.

**Other confirmations:**

- None of our Group Companies have remained defunct and no application has been made to the Registrar of Companies for striking off the name of any of our Group Companies during the five years preceding the date of filing the Draft Letter of Offer with SEBI.
- None of our Group Companies fall under the definition of sick companies under SICA.
- None of our Group Companies are under any winding up proceedings.
- None of the securities of our Group Companies have been listed on any stock exchange in the last three years.
- None of our Group Companies have made any public or rights issue of securities in the preceding three years.
- Our Group Companies have not taken any unsecured loans from our Company.
- Our Group Companies have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other regulatory or governmental authority.
- No part of the Net Proceeds is payable to the Group Companies.

For other confirmations on our Group Companies, please refer to the section titled "Other Regulatory and Statutory Disclosures" beginning on page 262 of this Draft Letter of Offer.

## **RELATED PARTY TRANSACTIONS**

For details of the Related Party Transactions, please refer to the section titled "Financial Information" beginning on page 165 of this Draft Letter of Offer.

## **DIVIDEND POLICY**

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by the shareholders, in their discretion, subject to the provisions of the Articles of Association and the Companies Act. The dividends, if any, will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial position of our Company. Our Company has no formal dividend policy. Our Company has not declared dividends during the last five Fiscals. For further information, please refer to the section contained in the section titled "History and Certain Corporate Matters" beginning on page 111 of this Draft Letter of Offer.

## SECTION VI – FINANCIAL INFORMATION

### AUDITOR'S REPORT

#### INDEPENDENT AUDITOR'S REPORT ON RESTATED FINANCIAL INFORMATION AS REQUIRED UNDER SECTION 26 OF COMPANIES ACT, 2013 READ WITH RULE 4 OF COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014

TO  
THE BOARD OF DIRECTORS OF  
VARDHMAN SPECIAL STEELS LIMITED  
VARDHMAN PREMISES, CHANDIGARH ROAD,  
LUDHIANA

Dear Sirs,

1. We have examined the Restated Financial Statements of **Vardhman Special Steels Limited**, (the "Company") which comprises the Restated Summary Statement of Assets and Liabilities as at March 31, 2016, 2015, 2014, 2013 and 2012, the Restated Summary Statements of Profit and Loss and restated Summary Statement of Cash Flow for each of the years ended March 31, 2016, 2015, 2014, 2013 and 2012 and significant accounting policies, annexed to this report for the purpose of inclusion in the draft letter of offer/prospectus, prepared by the Company in connection with its proposed Issue of Equity Shares of ₹50 each ("Rights Issue"). The Restated Summary Statement, which have been approved by the Committee of Directors (Rights Issue) of the Company at their meeting held on January 23, 2017, have been prepared in accordance with the requirement of:

- a) Sub-clauses (i) and (iii) of clause (b) of sub-section (1) of section 26 of the Companies Act, 2013 ('the Act') read with Rules 4 Companies (Prospectus and Allotment of Securities) Rules, 2014 ('the Rules') ***except that the restated Summary Statements are made up to March 31, 2016 (being a date more than 180 days before the issue of the draft letter of offer/prospectus);*** and
- b) Relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations") issued by the Securities Exchange Board of India ("SEBI") on August 26, 2009, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992.

The preparation of the Restated Summary Statements is the responsibility of the Management of the Company for the purpose set out in paragraph 9 below. The Management's responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Summary Statements. The Management is also responsible for identifying and ensuring that the Company complies with the Rules and the ICDR Regulations.

2. We have examined such Restated Financial Statements taking into consideration:
  - a) The terms of reference and terms of our engagement agreed with you vide our engagement letter dated January 9 2017, requesting us to carry out work on such financial information, proposed to be included in the offer documents of the Company in connection with the proposed Right Issue; and
  - b) The Guidance Note on Reports in Company Prospectuses (Revised 2016) issued by the Institute of Chartered Accountants of India (the "Guidance Note").
3. The Company proposes to make a Rights Issue of its equity shares of ₹ 10 each at a premium of ₹40 per share, as approved by the Board of Directors of the Company in its meeting held on October 28, 2016 and approval of Shareholders of the Company for Employee Reservation obtained by way of Postal Ballot (including E-Voting) on December 22, 2016.
4. These Restated Financial Statements have been compiled by the management from the audited financial statements of the Company for the year ended on March 31, 2016, 2015, 2014, 2013 and 2012 prepared in accordance with accounting principles generally accepted in India at the relevant time and which have been

approved by the Board of Directors at their meetings held on April 29, 2016, May 2, 2015, May 17, 2014, May 10, 2013 and April 21, 2012 respectively.

**5. Based on our examination, we report that:**

- a) The Restated Summary Statement of Assets and Liabilities of the Company as at year ended March 31, 2016, 2015, 2014, 2013 and 2012 as set out in Annexure-I to this report, have been arrived at after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexure IV - Restated Summary Statement of adjustments to audited financial Statements;
  - b) The Restated Summary Statement of Profit and Loss of the Company for each of the year ended March 31, 2016, 2015, 2014, 2013 and 2012 as set out in Annexure-II to this report, have been arrived at after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexure IV - Restated Summary Statement of adjustments to audited financial Statements;
  - c) The Restated Summary Statement of Cash Flows of the Company for the each of the year ended March 31, 2016, 2015, 2014, 2013 and 2012 as set out in Annexure-III to this report, have been arrived at after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexure IV-Restated Summary Statement of adjustments to audited financial Statements;
  - d) Based on the above and according to the information and explanations given to us, we further report that the Restated Summary Statements:
    - i. Adjustment for the material amounts in the respective financial years to which they relate.
    - ii. There are no extra-ordinary items that need to be disclosed separately in the accounts requiring adjustments.
    - iii. Auditor qualification in the years ended 2012 and 2013 relating to recognition of Gain/Loss on Forex Fluctuation have been adjusted accordingly in the relevant accounting periods to which they relates.
6. The Company has not declared any dividend during the financial year ended March 31, 2016, March 31, 2015, March 31, 2014, March 31, 2013 and March 31, 2012 mainly due to expansion plans undertaken by the Company.
7. We have not audited any financial Statements of the Company as of any date or for any period subsequent to March 31, 2016 and we have not reviewed any financial Statements of the Company as of any date or for any period subsequent to September 30, 2016. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to March 31, 2016 and September 30, 2016 respectively.
8. At the Company's request, we have also examined the following restated financial information of the Company set out in the annexures, proposed to be included in the offer document, prepared by the management and approved by the Committee of Directors (Rights Issue) of the Company and for the years ended March 31, 2016, 2015, 2014, 2013, and 2012.

**Annexure to Restated Financial Statements of the Company:**

1. Details of share capital as restated as appearing in annexure V to this report;
2. Details of reserves and surplus as restated as appearing in annexure VI to this report;
3. Details of long term borrowings as restated as appearing in annexure VII to this report;
4. Details of deferred tax asset/liability as restated as appearing in annexure VIII to this report;
5. Details of other long term liabilities as restated as appearing in annexure IX to this report;
6. Details of Long term provision as restated as appearing in annexure X to this report;
7. Details of Short Term Borrowings as restated as appearing in annexure XI to this report;
8. Details of trade payables as restated as appearing in annexure XII to this report;
9. Details of other current liabilities as restated as appearing in annexure XIII to this report;
10. Details of short term provisions as restated as appearing in annexure XIV to this report;
11. Details of fixed assets as restated as appearing in annexure XV to this report;
12. Details of Non-Current Investments as restated as appearing in annexure XVI to this report;

13. Details of long term loans and advances as restated as appearing in annexure XVII to this report
14. Details of Current Investment as restated as appearing in annexure XVIII to this report;
15. Details of Inventories as restated as appearing in annexure XIX to this report;
16. Details of trade receivables and non-trade receivables as restated as appearing in annexure XX and XX(A) to this report;
17. Details of cash and cash equivalents as restated as appearing in annexure XXI to this report;
18. Details of short term loans & advances and other current assets as restated as appearing in annexure XXII to this report;
19. Details of revenue from operations as restated as appearing in annexure XXIII to this report;
20. Details of other income as restated as appearing in annexure XXIV to this report;
21. Details of Operating and other expenses as restated as appearing in annexure XXV to this report;
22. Details of other notes as restated as appearing in annexure XXVI to this report;
23. Capitalisation Statement as appearing in annexure XXVII;
24. Restated Statement of Accounting Ratios as appearing in annexure XXVIII;
25. Statement of tax shelters as restated as appearing in annexure XXIX to this report;

In our opinion, the above financial information contained in the Annexures I to XXIX accompanying this report, read with Significant Accounting Policies and Notes annexed (Refer Annexure IV) are prepared after making adjustments and regrouping as considered appropriate and have been prepared in accordance with Section 26 of the Companies Act, 2013 read with The Companies (Prospectus and Allotment of Securities) Rules, 2014, to the extent applicable.; SEBI-ICDR Regulation and the Guidance Note issued in this regard by the ICAI, as amended from time to time, and in terms of our engagement as agreed with you.

9. The report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein. The figures included in the restated financial Statements, do not reflect the effects of events that occurred subsequent to the date of our reports on the respective periods referred to in paragraph 4 above.
10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
11. Our report is intended solely for use of the management for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For **SS Kothari Mehta and Company**

Chartered Accountants  
Firm Reg. No:-022150N

**Harish Gupta**

Partner  
Membership No. 098336

Place: New Delhi

Date: January 23, 2017

**ANNEXURE I**
**RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES**
**(₹ in Lakhs)**

|           | PARTICULARS                         | As at 31st<br>March<br>2016 | As at 31st<br>March<br>2015 | As at 31st<br>March<br>2014 | As at 31st<br>March<br>2013 | As at 31st<br>March<br>2012 |
|-----------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>I</b>  | <b>EQUITY AND LIABILITIES</b>       |                             |                             |                             |                             |                             |
| 1         | <b>Shareholders' Funds</b>          |                             |                             |                             |                             |                             |
|           | ( a ) Share capital                 | 1,855.54                    | 1,855.54                    | 1,855.54                    | 1,855.54                    | 1,855.54                    |
|           | ( b ) Reserves and Surplus          | 15,638.77                   | 15,148.52                   | 16,716.31                   | 17,911.05                   | 17,582.27                   |
|           | <b>Sub Total 1</b>                  | <b>17,494.31</b>            | <b>17,004.06</b>            | <b>18,571.85</b>            | <b>19,766.59</b>            | <b>19,437.81</b>            |
| 2         | <b>Non - Current Liabilities</b>    |                             |                             |                             |                             |                             |
|           | ( a ) Long - term borrowings        | 12,955.43                   | 10,440.31                   | 9,982.67                    | 9,044.72                    | 8,476.61                    |
|           | (b) Deferred Tax Liabilities        | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>375.97</b>               | <b>416.76</b>               |
|           | ( c ) Other Long term liabilities   | 13.89                       | 19.00                       | 11.87                       | 16.39                       | 22.64                       |
|           | ( d ) Long - term provisions        | 62.88                       | 54.43                       | 50.95                       | 47.59                       | 44.42                       |
|           | <b>Sub Total 2</b>                  | <b>13,032.20</b>            | <b>10,513.74</b>            | <b>10,045.49</b>            | <b>9,484.67</b>             | <b>8,960.43</b>             |
| 3         | <b>Current liabilities</b>          |                             |                             |                             |                             |                             |
|           | ( a ) Short - term borrowings       | 16,682.35                   | 23,911.98                   | 19,495.48                   | 21,440.21                   | 15,572.78                   |
|           | ( b ) Trade payables                | 4,099.68                    | 5,157.10                    | 4,202.49                    | 3,299.26                    | 1,088.62                    |
|           | ( c ) Other current liabilities     | 9,691.59                    | 4,843.70                    | 4,065.93                    | 4,252.71                    | 1,921.97                    |
|           | ( d ) Short - term provisions       | 62.14                       | 62.22                       | 21.95                       | 78.65                       | 148.82                      |
|           | <b>Sub Total 3</b>                  | <b>30,535.76</b>            | <b>33,975.00</b>            | <b>27,785.85</b>            | <b>29,070.83</b>            | <b>18,732.19</b>            |
|           | <b>TOTAL</b>                        | <b>61,062.27</b>            | <b>61,492.80</b>            | <b>56,403.19</b>            | <b>58,322.09</b>            | <b>47,130.43</b>            |
| <b>II</b> | <b>ASSETS</b>                       |                             |                             |                             |                             |                             |
| 1         | <b>Non - current assets:</b>        |                             |                             |                             |                             |                             |
|           | <b>( a )Fixed Assets</b>            |                             |                             |                             |                             |                             |
|           | (i) Tangible Assets                 | 25,024.81                   | 22,997.73                   | 21,037.93                   | 4,123.98                    | 4,306.12                    |
|           | (ii) Intangible Assets              | 35.20                       | -                           | -                           | -                           | -                           |
|           | (iii) Capital work-in-progress      | 210.84                      | 2,079.82                    | 2,954.81                    | 13,134.61                   | 858.09                      |
|           | ( b ) Non- Current Investments      | 129.69                      | 408.22                      | 1,675.27                    | 2,851.66                    | 8,125.00                    |
|           | ( c ) Long term loans and advances  | 1,345.20                    | 987.40                      | 743.09                      | 1,996.22                    | 1,308.88                    |
|           | (d) Non-current trade receivable    | 0.00                        | 0.00                        | 0.00                        | 113.84                      | 40.33                       |
|           | <b>Sub Total 1</b>                  | <b>26,745.74</b>            | <b>26,473.17</b>            | <b>26,411.10</b>            | <b>22,220.31</b>            | <b>14,638.42</b>            |
| 2         | <b>Current assets</b>               |                             |                             |                             |                             |                             |
|           | ( a ) Current Investments           | 1,000.00                    | 1,000.00                    | 1,500.00                    | 9,300.00                    | 1,800.00                    |
|           | ( b ) Inventories                   | 10,690.38                   | 13,288.98                   | 11,931.22                   | 11,370.31                   | 9,582.89                    |
|           | ( c ) Trade Receivables             | 19,416.94                   | 17,898.22                   | 12,276.35                   | 10,226.02                   | 10,548.59                   |
|           | ( d ) Cash and Bank balances        | 379.06                      | 864.85                      | 1,389.84                    | 3,027.50                    | 8,711.27                    |
|           | ( e ) Short-term loans and advances | 2,828.85                    | 1,935.16                    | 2,846.74                    | 1,827.23                    | 1,596.76                    |
|           | (f) Other Current Assets            | 1.30                        | 32.42                       | 47.94                       | 350.72                      | 252.50                      |
|           | <b>Sub Total 2</b>                  | <b>34,316.53</b>            | <b>35,019.63</b>            | <b>29,992.09</b>            | <b>36,101.78</b>            | <b>32,492.01</b>            |
|           | <b>TOTAL</b>                        | <b>61,062.27</b>            | <b>61,492.80</b>            | <b>56,403.19</b>            | <b>58,322.09</b>            | <b>47,130.43</b>            |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities profits and losses and cash flows as appearing in Annexure IV.

**ANNEXURE II**
**RESTATED STATEMENT OF PROFIT AND LOSS**
**(₹ in Lakhs)**

|      | <b>PARTICULARS</b>   | <b>As at 31st<br/>March<br/>2016</b> | <b>As at 31st<br/>March<br/>2015</b> | <b>As at 31st<br/>March<br/>2014</b> | <b>As at 31st<br/>March<br/>2013</b> | <b>As at 31st<br/>March<br/>2012</b> |
|------|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| I    | Revenue from operations (Gross)  | 72,932.88                            | 73,418.13                            | 40,865.50                            | 49,475.10                            | 58,119.14                            |
|      | Less: Excise duty  | 7,277.29                             | 7,258.15                             | 3,805.92                             | 4,951.23                             | 5,429.11                             |
|      | Revenue from operations ( Net )  | 65,655.59                            | 66,159.98                            | 37,059.58                            | 44,523.87                            | 52,690.03                            |
|      | Cost of Material Transferred to Trial Run ( Rolling Mill)                        | 0.00                                 | 0.00                                 | 19,336.52                            | 0.00                                 | 0.00                                 |
|      | Other Income   | 209.18                               | 789.31                               | 1,540.96                             | 512.59                               | 504.29                               |
|      | <b>Total revenue ( I+II)</b>   | <b>65,864.77</b>                     | <b>66,949.29</b>                     | <b>57,937.06</b>                     | <b>45,036.46</b>                     | <b>53,194.32</b>                     |
| II   | <b>Expenses</b>  |                                      |                                      |                                      |                                      |                                      |
|      | Cost of Materials consumed   | 32,508.39                            | 40,885.04                            | 30,634.66                            | 28,044.58                            | 30,573.03                            |
|      | Purchases of Stock- in-Trade   | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
|      | Changes in Inventories of Finished Goods and Work-in- progress                   | 2,711.20                             | (156.93)                             | 7,018.76                             | (2,548.18)                           | (171.35)                             |
|      | Employee benefits expense  | 3,383.58                             | 2,833.45                             | 2,126.40                             | 2,115.06                             | 2,249.40                             |
|      | Other Expense  | 22,435.51                            | 20,929.83                            | 17,505.58                            | 14,773.77                            | 14,799.02                            |
|      | Excise Duty on Closing Stock   | 279.76                               | 526.36                               | 461.13                               | 487.07                               | 246.41                               |
|      | Finance Costs  | 2,352.97                             | 2,021.49                             | 1,189.72                             | 1,086.72                             | 659.80                               |
|      | Depreciation and amortisation expense  | 1,703.11                             | 1,387.22                             | 570.45                               | 398.28                               | 405.91                               |
|      | <b>Total Expenses</b>  | <b>65,374.52</b>                     | <b>68,426.46</b>                     | <b>59,506.70</b>                     | <b>44,357.30</b>                     | <b>48,762.22</b>                     |
| III  | <b>Profit/(Loss) before exceptional and extraordinary Items and tax ( I- II)</b> | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| IV   | Exceptional items  | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
| V    | <b>Profit/(Loss) before extraordinary Items and tax ( III-IV)</b>                | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| VI   | Extraordinary Items  | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 | 0.00                                 |
| VII  | <b>Profit/(Loss) before tax ( V-VI)</b>  | <b>490.25</b>                        | <b>(1,477.17)</b>                    | <b>(1,569.64)</b>                    | <b>679.16</b>                        | <b>4,432.10</b>                      |
| VIII | Tax expenses   |                                      |                                      |                                      |                                      |                                      |
|      | Current tax  | 0.00                                 | 0.00                                 | 0.00                                 | 390.00                               | 1,564.39                             |
|      | Wealth Tax   | 0.00                                 | 0.85                                 | 1.07                                 | 1.17                                 | 1.43                                 |
|      | Deferred tax   | 0.00                                 | 0.00                                 | (375.97)                             | (40.79)                              | (23.64)                              |
| IX   | <b>Profit for the year (VII-VIII)</b>  | <b>490.25</b>                        | <b>(1,478.02)</b>                    | <b>(1,194.74)</b>                    | <b>328.78</b>                        | <b>2,889.92</b>                      |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities profits and losses and cash flows as appearing in Annexure IV.

**ANNEXURE III**
**RESTATED STATEMENT OF CASH FLOW**
**(₹ in Lakhs)**

| <b>PARTICULARS</b>   | <b>As at 31st<br/>March 2016</b> | <b>As at 31st<br/>March 2015</b> | <b>As at 31st<br/>March 2014</b> | <b>As at 31st<br/>March 2013</b> | <b>As at 31st<br/>March 2012</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Net profit before tax and Extra Ordinary Items                                     | 490.25                           | (1,477.17)                       | (1,569.64)                       | 679.16                           | 4,432.10                         |
| <b>Adjustments for:</b>  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Depreciation and Amortisation  | 1,703.11                         | 1,387.21                         | 570.45                           | 398.28                           | 405.91                           |
| Provision for Doubtful Debts written back  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Sundry Balances Written (back) / off   | (35.64)                          | (21.72)                          | (2.27)                           | (33.71)                          | (21.81)                          |
| Interest Expense   | 2,352.97                         | 2,021.49                         | 1,340.88                         | 1,663.80                         | 900.83                           |
| Profit on sale of Investments  | (36.23)                          | (523.01)                         | (1,038.52)                       | (201.83)                         | 0.00                             |
| Exchange Rate Fluctuation (unrealised)   | 583.13                           | 431.50                           | 937.96                           | 568.11                           | (369.85)                         |
| Interest income  | (91.39)                          | (157.42)                         | (216.26)                         | (611.63)                         | (241.75)                         |
| Dividend Income  | (6.28)                           | (2.34)                           | (22.57)                          | (8.33)                           | (3.62)                           |
| (Profit)/Loss on Sale of Fixed Assets (Net)  | 111.80                           | (8.50)                           | (324.44)                         | (75.97)                          | (27.63)                          |
| Operating Profit before working capital changes                                    | 5,071.72                         | 1,650.04                         | (324.41)                         | 2,377.88                         | 5,074.18                         |
| <b>Adjustments for:</b>  | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| Decrease/(Increase) in Inventories   | 2,598.59                         | (1,357.76)                       | (560.91)                         | (1,787.42)                       | 215.37                           |
| Increase / (Decrease) in liabilities and provisions                                | (79.66)                          | 1,340.25                         | 412.32                           | 5,589.00                         | 2,027.47                         |
| Decrease /(Increase) in other Current assets/Loans & Advances                      | (1,061.94)                       | 664.75                           | (1,155.89)                       | (449.46)                         | (2,580.00)                       |
| Decrease/ (Increase) in Trade Receivables  | (1,518.72)                       | (5,621.87)                       | (1,934.22)                       | 259.51                           | (1,606.38)                       |
| Cash generated from operations   | (61.73)                          | (4,974.63)                       | (3,238.70)                       | 3,611.63                         | (1,943.54)                       |
| <b>Cash generated from operations</b>  | <b>5,009.99</b>                  | <b>(3,324.59)</b>                | <b>(3,563.11)</b>                | <b>5,989.51</b>                  | <b>3,130.64</b>                  |
| Income tax paid  | 0.00                             | (0.85)                           | (26.41)                          | (488.19)                         | (1,420.00)                       |
| <b>Net cash generated from/(used in) operating activities</b>                      | <b>5,009.99</b>                  | <b>(3,325.44)</b>                | <b>(3,589.52)</b>                | <b>5,501.32</b>                  | <b>1,710.64</b>                  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Purchase of fixed assets and capital work in progress (including capital advances) | (2,471.49)                       | (2,833.60)                       | (5,747.57)                       | (13,969.49)                      | (3,316.91)                       |
| Proceeds from sale of Fixed Assets   | 45.81                            | 22.67                            | 417.58                           | 80.90                            | 64.97                            |
| Proceeds from sale of Investments  | 314.76                           | 2,290.06                         | 10,338.51                        | 6,701.83                         | 0.00                             |
| Purchase for Investments   | 0.00                             | 0.00                             | (323.61)                         | (8,726.66)                       | (7,925.00)                       |
| Interest Received  | 91.47                            | 203.98                           | 529.99                           | 516.36                           | 26.05                            |
| Dividend Received  | 6.28                             | 2.34                             | 22.57                            | 8.33                             | 3.62                             |
| <b>NET CASH FROM INVESTING ACTIVITIES (B)</b>                                      | <b>(2,013.17)</b>                | <b>(314.55)</b>                  | <b>5,237.47</b>                  | <b>(15,388.73)</b>               | <b>(11,147.27)</b>               |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                                     |                                  |                                  |                                  |                                  |                                  |
| Inter-corporate deposits taken   | 0.00                             | 0.00                             | 0.00                             | 0.00                             | 3,371.66                         |
| Proceeds from Short Term Borrowings  | (7,229.64)                       | 4,416.49                         | (1,944.72)                       | 5,867.43                         | 6,302.07                         |

|   |                   |                 |                   |                   |                  |
|---|-------------------|-----------------|-------------------|-------------------|------------------|
| Proceeds from Term loan   | 6,100.00          | 720.00          | 0.00              | 0.00              | 8,846.46         |
| Interest paid   | (2,352.97)        | (2,021.49)      | (1,340.89)        | (1,663.79)        | (900.83)         |
| <b>NET CASH FROM FINANCING ACTIVITIES 'C'</b>                   | <b>(3,482.61)</b> | <b>3,115.00</b> | <b>(3,285.61)</b> | <b>4,203.64</b>   | <b>17,619.36</b> |
| <b>Net increase in cash and cash equivalents (A+B+C)</b>        | <b>(485.79)</b>   | <b>(524.99)</b> | <b>(1,637.66)</b> | <b>(5,683.77)</b> | <b>8,182.73</b>  |
| Cash and cash equivalents at the beginning of the period        | 864.85            | 1,389.84        | 3,027.50          | 8,711.27          | 528.54           |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>379.06</b>     | <b>864.85</b>   | <b>1,389.84</b>   | <b>3,027.50</b>   | <b>8,711.27</b>  |
| <b>Components of cash and cash equivalents:</b>                 |                   |                 |                   |                   |                  |
| Cash in hand & Others   | 6.37              | 2.21            | 4.29              | 10.01             | 17.25            |
| Cheques in hand   | 0.00              | 0.00            | 0.00              | 82.83             | 277.16           |
| Balances with scheduled banks:                                  |                   |                 |                   |                   |                  |
| - in current accounts   | 370.17            | 857.12          | 1,004.91          | 423.10            | 392.36           |
| - on fi xed deposit accounts (under lien with banks)            | 0.00              | 0.00            | 0.00              | 850.00            | 0.00             |
| - in fixed deposit accounts                                     | 2.52              | 5.52            | 375.54            | 1,656.46          | 3.20             |
| <b>Other bank balances</b>                                      |                   |                 |                   |                   |                  |
| Fixed Deposits with maturity of more than 12 months(under lien) | 0.00              | 0.00            | 0.00              | 0.00              | 7,910.00         |
| Fixed Deposits with maturity of more than 12 months             | 0.00              | 0.00            | 5.10              | 5.10              | 2.10             |
| Balance in bnaks for margin money                               | 0.00              | 0.00            | 0.00              | 0.00              | 109.20           |
| <b>Total</b>  | <b>379.06</b>     | <b>864.85</b>   | <b>1,389.84</b>   | <b>3,027.50</b>   | <b>8,711.27</b>  |

Note: The above statement should be read with the notes to restated summary statement of assets and liabilities profits and losses and cash flows as appearing in Annexure IV.

**ANNEXURE IV(a)**
**NOTES FORMING PART OF FINANCIAL STATEMENTS**
**CORPORATE INFORMATION:**

Vardhman Special Steels Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 on 14<sup>th</sup> May, 2010. The Company is engaged in the Manufacturing of Billet, Steel bars & rods and Bright bars of various categories of special and alloy steels.

**A SIGNIFICANT ACCOUNTING POLICIES:**
**1 Accounting Convention:**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the accounting standards referred to in section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules 2014 and other relevant provisions of the said Act.

**2 Use of Estimates:**

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of the revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results materialize.

**3 Revenue Recognition:**
**i) Sales:**

Revenue from sale of goods is recognized:

- a) When all the significant risks and rewards of ownership are transferred to the buyer and the Company retains no effective control of the goods transferred to a degree usually associated with ownership; and
- b) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.
- c) Domestic Sales (Gross) include excise duty and freight and is recognized on dispatch of goods to customers.

**ii) Export Incentives:**

Revenue in respect of the above benefits is recognized on post export basis.

**iii) Insurance and Other Claims:**

The revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realised and the ultimate collection thereof.

**iv) Interest:**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**4 Employee Benefits:**
**i) Short Term Employee Benefits:**

Short term employee benefits are recognized as an expense on an undiscounted basis in the statement of profit and loss of the year in which the related services are rendered.

**ii) Post Employment Benefits:**
**a) Defined Contribution Plans**

- i) **Provident Fund:** Contribution to Provident Fund is made in accordance with the provisions of the Provident Fund Act, 1952 and is treated as revenue expenditure.

- ii) **Superannuation:** The liability in respect of eligible employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India by an approved trust formed for the purpose. The premium in respect of such policy is recognized as an expense in the period in which it falls due.

**b) Defined Benefit Plans**

- i) **Gratuity:** Provision for gratuity, which is a defined benefit plan, is made on the basis of an actuarial valuation, as per AS-15 issued by The Institute of Chartered Accountants of India, carried out by an independent actuary at the balance sheet date, using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and

measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

- ii) **Leave Encashment:** As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either utilise during the service or encash. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation by employee or upon death of employee. The Company accounts for the liability for compensated absences payable in future based on an independent actuarial valuation, as per AS-15 issued by The Institute of Chartered Accountants of India, carried out at the end of the period.

**5 Fixed Assets:**

- i) Fixed Assets are stated at historical cost less depreciation.
- ii) Cost of fixed assets comprise its purchase price and any attributable expenditure (both direct and indirect) for bringing an asset to its working condition for its intended use.

**6 Intangible Assets:**

Intangible assets are stated at cost less accumulated amount of amortization.

**7 Depreciation:**

- i) Depreciation is provided on straight line method in accordance with and in the manner specified in Schedule II to the Companies Act, 2013.
- ii) Depreciation on assets costing ₹ 5,000 or below acquired during the year is charged @ 100% on proportionate basis keeping in view materiality aspect.

**8 Amortization:**

- i) Intangible assets are amortized on straight line method over their estimated useful life.
- ii) Right to use Power Lines is amortised on straight line method over their estimated useful life.

**9 Investments:**

Long term Investments are carried at cost less provision for diminution, other than temporary, in the value of investment. Current investments are carried at lower of cost and fair value.

**10 Inventories:**

Inventories are valued at cost or net realisable value, whichever is lower. The cost in respect of various items of inventories is computed as under:

- i) In case of raw materials-at weighted average cost plus direct expenses.
- ii) In case of stores & spares-at weighted average cost plus direct expenses.
- iii) In case of finished goods-at raw material cost plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present condition and location.

**11 Subsidy:**

Government grants available to the Company are recognised when there is a reasonable assurance of compliance with the conditions attached to such grants and where benefits in respect thereof have been earned and it is reasonably certain that the ultimate collection will be made. Government subsidy in the nature of promoter's contribution is credited to capital reserve. Government subsidy received for a specific asset is reduced from the cost of the said asset.

**12 Cenvat Credit:**

Cenvat credit of excise duty paid on inputs, capital assets and input services is recognised in accordance with the Cenvat Credit Rules, 2004.

**13 Foreign Currency Conversion/Translation:**

- i) Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction.
- ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expense in the period in which they arise.
- iii) The premium or discount arising at the inception of forward exchange contracts is amortised as an

expense or income over the life of the contract.

- iv) The exchange difference to the extent of loss, arising on forward contracts and put and call derivative options to hedge the transactions in the nature of firm commitments and /or highly probable forecast transactions is recognised in the statement of Profit and Loss. The profit, if any, arising thereon is ignored.
- v) Exchange differences on the aforesaid forward exchange contract are recognised in the statement of profit & loss in the reporting period in which the exchange rates change. Profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense in the period in which such profit or loss arises.

**14 Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as expense in the period in which they are incurred.

**15 Expenditure incurred during construction period:**

In respect of major expansion, the indirect expenses incurred during construction period up to the date of commercial production is capitalised on various categories of fixed assets on proportionate basis.

**16 Provisions and Contingencies:**

**i) Provision is recognized (for liabilities that can be measured by using a substantial degree of estimation) when:**

- a) The Company has present obligation as a result of a past event;
- b) A probable outflow of resources embodying economic benefits is expected to settle the obligation; and
- c) The amount of the obligation can be reliably estimated.

**ii) Contingent liability is disclosed in case there is:**

- a) 1) possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- 2) a reliable estimate of the amount of the obligation cannot be made.
- b) a present obligation arising from the past events but is not recognised
  - 1) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - 2) a reliable estimate of amount of the obligation cannot be made.

**17 Operating Leases:**

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

**18 Earnings per share:**

Basic earnings per share is computed by dividing the net profit/(loss) for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by taking into account the aggregate of the weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity into equity shares.

**19 Accounting for Tax on Income:**

The accounting treatment followed for taxes on income is to provide for Current Tax and Deferred Tax. Current Tax is the amount of income-tax determined to be payable in respect of taxable income for a period. Deferred Tax is the tax effect of all timing differences.

**20 Impairment of Assets:**

At each Balance Sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of accounts.

**21 Segment Information:**

The Company has only one reporting segment i.e. manufacturing of Steel. The Company is mainly operating in India which is considered to be the only reportable geographical segment.

**ANNEXURE IV (b)**
**B. Impact of changes in the Accounting Policies, Material Adjustments and Prior Period Items:**

Summary of results of restatements made in audited financial statements of the Company for the respective years and their impact on the profits of the Company is as under:

(₹ in Lakhs)

| Particulars  | For the year ended March 31, |                   |                   |                 |                 |
|--|------------------------------|-------------------|-------------------|-----------------|-----------------|
|  | 2016                         | 2015              | 2014              | 2013            | 2012            |
| <b>Net profit/(loss) after tax as per Audited Profit &amp; Loss account</b>        | <b>521.29</b>                | <b>(1,512.66)</b> | <b>(941.63)</b>   | <b>484.54</b>   | <b>2,590.11</b> |
| Prior Period Items for other than amortization (Refer Note no. C(1) below)         | (27.89)                      | 32.85             | (0.10)            | (24.19)         | (25.02)         |
| Audit Qualifications on Foreign Exchange Loss and Gain (Refer Note no. C(2) below) |                              |                   | (219.91)          | (149.94)        | 369.85          |
| Provision no longer required written back (Refer Note no. C(3) below)              | (3.15)                       | 1.79              | (33.10)           | 27.13           | 2.13            |
| Provision for Bad debts written back (Refer Note no. C(4) below)                   |                              |                   |                   | (12.97)         | (69.80)         |
| Deferred Tax Impact on adjustments (Refer Note no. C(5) below)                     |                              |                   |                   | 4.21            | 22.65           |
| <b>Total adjustments (net of tax)</b>  | <b>(31.04)</b>               | <b>34.64</b>      | <b>(253.11)</b>   | <b>(155.76)</b> | <b>299.81</b>   |
| <b>Net Profit as per restated summary statements</b>                               | <b>490.25</b>                | <b>(1,478.02)</b> | <b>(1,194.74)</b> | <b>328.78</b>   | <b>2,889.92</b> |

**C. Notes on adjustments carried out:**
**1 Prior Period Items**

In the financial statements for the years ended March 31, 2016, 2015, 2014, 2013 and 2012, certain items of income/expenses have been identified as prior period adjustments. For the purpose of Summary of Financial Statements, as restated, such prior period adjustments have been appropriately adjusted in the respective years.

**2 Audit Qualification on Forex Gain & Loss**

During the year 2011-12 and 2012-13, company has not recognised forex gain of ₹ 370 Lakhs & 219 Lakhs respectively on ECB Loan as the Company is using conservative approach. For the purpose of Summary of Financial Statements, as restated, Forex Gain/Loss has been appropriately adjusted in the respective years.

**3 Provision No Longer Required**

In the financial statements for the years ended March 31, 2016, 2015, 2014, 2013 and 2012, certain provisions are written back as the same is no longer required. For the purpose of Summary of Financial Statements, as restated, such provision no longer required have been appropriately

adjusted in the respective years

4 **Provision for Bad debts written back**

Provision made for Bad Debts before FY 2011-12 is subsequently written back during the year ended March 31, 2012 & March 31, 2013 have been adjusted in the year when such provision was originally provided for. Accordingly, adjustment have been made to the Summary Statement of Profit & Losses, as restated for respective years.

5 **Tax/Deferred Tax impact of adjustments**

In the preparation of the Summary of Financial Statements, as restated, the Company has determined the current tax & deferred tax impact on all the adjustments considered.

6 **Provision of Income Tax**

Income taxes provided in earlier years in respect of which either additional demand has been subsequently paid to the authorities or tax arising on account of short / excess provisions in the books of account, on completion of assessments or otherwise, have been adjusted in the Summary of Financial Statements, as restated in the respective years.

**D. Reconciliation of Profit & Loss Account as on April 1, 2011**

| Particular   | (₹ in Lakhs)  |
|--|---------------|
| <b>Balance of Profit and Loss Account, as audited</b>    | 696.27        |
| Add: Prior Period Income / Expenses                      | 44.35         |
| Provision no longer required written back                | 5.19          |
| Provision for Bad debts written back                     | 82.78         |
| <b>Impact of Adjustments</b>                             | <b>132.32</b> |
| <b>Less: Provision for Taxes:</b>                        |               |
| -Current tax   |               |
| -Earlier year  |               |
| -Deferred Tax  | (26.86)       |
| <b>Balance of Profit &amp; Loss Account, as restated</b> | <b>801.73</b> |

**E. Material regroupings:**

Appropriate adjustments have been made in the Restated Summary Statement of Assets and Liabilities, Profit and Losses and Cash Flows, wherever required, by a reclassification of the corresponding items of Income, Expenses, Assets, Liabilities, Cash Flows and figures of the Notes to the Accounts in order to bring them in line with the groupings as per the audited financials of the Company for the year ended March 31, 2016. The material regroupings made in the Summary Statement of Assets and Liabilities, as restated, and the Summary Statement of Profit and Losses, as restated is:

- 1           **Pension Fund, Provident Fund, Welfare Fund & ESI Payable**  
 Pension Fund, Provident Fund, Welfare Fund & ESI Payable included in Short Term Provisions amounting to ₹ 31.31 Lakhs and ₹ 25.12 Lakhs as at March 31, 2013 and 2012 respectively have been regrouped under Statutory Dues under Other Current Liabilities in the Summary Statement of Assets and Liabilities, as restated.
- 2           **Bonus & Ex-Gratia**  
 Bonus & Ex-Gratia, amounting to ₹ 64.21 Lakhs and ₹ 60.35 Lakhs as at March 31, 2013 and 2012 respectively shown in Short Term Provisions has been grouped under Dues to Employees under the head Other Current Liabilities
- 3           **Short Term Liabilities & Other Payables**  
 Short term Liabilities & Other Payables shown in Other Current Liabilities amounting to ₹ 2039.25 Lakhs and ₹ 761.38 Lakhs as at March 31, 2013 and 2012 respectively are grouped under Expenses Payable under the head Other Current Liabilities
- 4           **Taxes Payable**  
 Taxes Payable amounting to ₹ 815.33 Lakhs and ₹ 865.41 Lakhs as at March 31, 2013 and 2012 respectively shown under Other Current Liabilities are grouped under Statutory Dues under Other Current Liabilities.
- 5           **Salary/Wages Payable**  
 Salary/Wages Payable amounting to ₹ 57.10 Lakhs and ₹ 94.92 Lakhs shown in Other Current Liabilities has been regrouped into Dues to Employees under same head.
- 6           **Written-off Dead Items/Other Assets written-off**  
 ₹ 3.79 Lakhs and ₹ 27.49 Lakhs as at March 31, 2012 and 2013 respectively that was earlier shown under the head Bad debt/other assets/balances written off has been shown under separate head Other Assets written-off
- 7           **Provision for Doubtful Debts**  
 ₹ 38.00 Lakhs as at March 31' 2013 that was earlier shown under the head Bad debt/other assets/balances written off has been shown under separate head Provision for Doubtful Debts

**F. Audit Qualifications / emphasis under Companies (Auditor's Report) Order, 2016/2015/2013 (CARO), which do not require any corrective adjustment in the Summary of Financial Statements, as restated:**

- 1           **Year ended March 31, 2016**  
**Clause (vii) (a)**  
 According to the records of the company examined by us and the information and explanations given to us, in our opinion, the company is generally regular, except delay in few cases, in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. According to the records of the company examined by us and the information and explanations given to us, in our opinion, no undisputed amounts payable in respect of provident fund, Employees' state insurance, Income Tax, Wealth Tax, Service tax, Custom Duty, Excise duty, Value added tax, Cess and other statutory dues were outstanding, as at 31st March, 2016 for a period of more than six months from the date they become payable.

**Clause (vii) (b)**

According to the records of the company examined by us and the information and explanations given to us, in our opinion, there are no dues of Income-tax/Sales Tax/Wealth Tax/Service tax/Custom duty/Excise Duty/Value added tax/cess which have not been deposited on accounts of any dispute, except the following

| Sr. No. | Nature of dues                             | Amount Due in ₹                                     | Forum where Pending                             |
|---------|--|---|---|
| 1       | Punjab VAT Act, 2005                       | Penalty ₹ 5,95,963                                  | AETC Mobile Wing, Patiala                       |
| 2       | CENVAT- Denial of CENVAT                   | Basic & Penalty ₹ 4,15,723<br>Interest ₹ 4,05,723   | Chief Commissioner Excise, Chandigarh           |
| 3       | CENVAT- Denial of CENVAT                   | Basic ₹ 45,450<br>Interest ₹ 45,450                 | CESTAT  |
| 4       | CENVAT- Denial of CENVAT                   | Basic & Penalty ₹ 25,394<br>Interest ₹ 5,713        | CESTAT  |
| 5       | CENVAT- Denial of CENVAT                   | Basic ₹ 84,910<br>Interest ₹ 22,924                 | CESTAT  |
| 6       | Rule 6 B of Valuation Rules-Central Excise | Basic & Penalty ₹ 27,78,084<br>Interest ₹ 17,39,042 | Commissioner Appeals, Chandigarh                |
| 7       | Denial of CENVAT                           | Basic ₹ 1,33,333<br>Interest ₹ 1,33,333             | Remanded Back to Commissioner Appeals by CESTAT |
| 8       | Denial of CENVAT                           | Basic & Penalty ₹ 26,938<br>Interest ₹ 9,091        | CESTAT  |
| 9       | Denial of CENVAT                           | Basic & Penalty ₹ 1,45,529<br>Interest ₹ 26,196     | CESTAT  |
| 10      | Denial of CENVAT                           | Basic & Penalty ₹ 26,756<br>Interest ₹ 11,438       | CESTAT  |
| 11      | Denial of CENVAT                           | Basic & Penalty ₹ 7,284<br>Interest ₹ 2,295         | CESTAT  |
| 12      | Entry Tax                                  | ₹ 8,50,00,000                                       | Punjab & Haryana High Court                     |

2

**Year ended March 31, 2015:**

**Clause 7 (b)**

According to the records of the Company examined by us and the information and explanations given to us, in our opinion, there are no dues of sales tax, income tax/sales tax/wealth tax/service tax/custom duty/excise duty/value added tax/cess which have been deposited on account of any dispute, except the following:

| Sr. No. | Nature of dues   | Amount Due in ₹            | Forum where Pending                  |
|---------|------------------|----------------------------|--------------------------------------|
| 1       | Punjab Sales Tax | Basic & Penalty ₹ 1,86,500 | Joint Director, Enforcement, Patiala |
| 2       | Punjab Sales Tax | Basic & Penalty ₹ 1,80,000 | Joint Director, Enforcement, Patiala |

|    |  |   |   |
|----|--|---|---|
| 3  | Punjab VAT Act, 2005                       | Penalty ₹ 5,95,963                                  | AETC Mobile Wing Patiala                        |
| 4  | CENVAT- Denial of CENVAT                   | Basic & Penalty ₹ 4,15,723<br>Interest ₹ 4,05,723   | Chief Commissioner Excise, Chandigarh           |
| 5  | CENVAT- Denial of CENVAT                   | Basic ₹ 45,450<br>Interest ₹ 45,450                 | CESTAT  |
| 6  | CENVAT- Denial of CENVAT                   | Basic & Penalty ₹ 25,394<br>Interest ₹ 3,428        | Assisstant Commissioner Ludhiana                |
| 7  | CENVAT- Denial of CENVAT                   | Basic ₹ 84,910<br>Interest ₹ 15,283                 | Assisstant Commissioner Ludhiana                |
| 8  | Rule 6 B of Valuation Rules-Central Excise | Basic & Penalty ₹ 27,78,084<br>Interest ₹ 17,39,042 | Commissioner Appeals, Chandigarh                |
| 9  | Denial of CENVAT                           | Basic ₹ 1,33,333<br>Interest ₹ 1,33,333             | Remanded back to Commissioner Appeals by CESTAT |
| 10 | Denial of CENVAT                           | Basic & Penalty ₹ 26,938<br>Interest ₹ 6,667        | Assisstant Commissioner Ludhiana                |
| 11 | Denial of CENVAT                           | Basic & Penalty ₹ 1,45,529<br>Interest ₹ 13,098     | Assisstant Commissioner Ludhiana                |
| 12 | Denial of CENVAT                           | Basic & Penalty ₹ 25,756<br>Interest ₹ 9,030        | Assisstant Commissioner Ludhiana                |
| 13 | Denial of CENVAT                           | Basic & Penalty ₹ 7,284<br>Interest ₹ 1,639         | Assisstant Commissioner Ludhiana                |
| 14 | Entry Tax                                  | ₹ 8,50,00,000                                       | Punjab & Haryana High Court                     |

3

**Year ended March 31, 2014:**

According to the records of the Company examined by us and the information and explanations given to us, in our opinion, there are no dues of sales tax, income tax/sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited on account of any dispute, except following:

**Clause 9 (b)**

| Sr. No. | Nature of dues           | Amount Due in ₹                                   | Forum where pending                  |
|---------|--------------------------|---|--------------------------------------|
| 1       | Punjab Sales Tax         | Basic & Penalty ₹ 1,86,500                        | Joint Director, Enforcement, Patiala |
| 2       | Punjab Sales Tax         | Basic & Penalty ₹ 1,80,000                        | Joint Director, Enforcement, Patiala |
| 3       | Punjab VAT Act, 2005     | Penalty ₹ 5,95,963                                | AETC Mobile wing Patiala             |
| 4       | CENVAT- Denial of CENVAT | Basic & Penalty ₹ 4,15,723<br>Interest ₹ 4,05,723 | Chief Commisioner Excise, Chandigarh |
| 5       | CENVAT- Denial of CENVAT | Basic ₹ 45,450<br>Interest ₹ 45,450               | CESTAT                               |
| 6       | CENVAT- Denial of CENVAT | Basic & Penalty ₹ 25,394                          | Assisstant Commissioner, Ludhiana    |

|    |  |   |   |
|----|--|---|---|
|    |  | Interest ₹ 1,143                                    |   |
| 7  | CENVAT- Denial of CENVAT                   | Basic ₹ 84,910<br>Interest ₹ 7,642                  | Assisstant Commissioner, Ludhiana                         |
| 8  | Rule 6 B of Valuation Rules-Central Excise | Basic & Penalty ₹ 27,78,084<br>Interest ₹ 17,39,042 | Commissioner Appeals, Chandigarh                          |
| 9  | Denial of CENVAT                           | Basic & Penalty ₹ 7,51,035<br>Interest ₹ 741035     | CESTAT  |
| 10 | Denial of CENVAT                           | Basic ₹ 1,33,333<br>Interest ₹ 1,33,333             | Remanded back to Commissioner Appeals by CESTAT in Aug'10 |
| 11 | Denial of CENVAT                           | Basic & Penalty ₹ 26,938<br>Interest ₹ 4,243        | Assisstant Commissioner, Ludhiana                         |
| 12 | Denial of CENVAT                           | Basic & Penalty ₹ 25,756<br>Interest ₹ 6,622        | Assisstant Commissioner, Ludhiana                         |
| 13 | Denial of CENVAT                           | Basic & Penalty ₹ 7,284<br>Interest ₹ 983           | Assisstant Commissioner, Ludhiana                         |

4

**Year ended March 31, 2013:****Clause 9 (a)**

According to the records of the company examined by us and the information and explanations given to us, in our opinion, the company is generally regular, except delay in few cases, in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, wealth tax, sales tax, service tax (except in one case of delay), duty of customs, duty of excise, cess and any other statutory dues to the appropriate authorities. According to the records of the company examined by us and the information and explanations given to us, in our opinion, no undisputed amounts payable in respect of provident fund, Employees' state insurance, Income Tax, Wealth Tax, Service tax, Custom Duty, Excise duty, Value added tax, Cess and other statutory dues were outstanding, as at 31.03.2013 for a period of more than six months from the date they become payable.

**Clause 9 (b)**

According to the records of the Company examined by us and the informations and explanations given to us, in our opinion, there are no dues of sales tax, income tax/VAT/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited on account of any dispute except the following:

| Sr. No. | Nature of dues                             | Amount Due in ₹                                   | Forum where pending                  |
|---------|--|---|--------------------------------------|
| 1       | Punjab Sales Tax                           | Basic & Penalty ₹ 1,86,500                        | Joint Director, Enforcement, Patiala |
| 2       | Punjab Sales Tax                           | Basic & Penalty ₹ 1,80,000                        | Joint Director, Enforcement, Patiala |
| 3       | CENVAT- Denial of CENVAT                   | Basic & Penalty ₹ 4,15,723<br>Interest ₹ 4,05,723 | Chief Commisioner Excise, Chandigarh |
| 4       | CENVAT- Denial of CENVAT                   | Basic ₹ 45,450<br>Interest ₹ 45,450               | CESTAT                               |
| 5       | Rule 6 B of Valuation Rules-Central Excise | Basic & Penalty ₹ 27,78,084                       | Commisioner Appeals, Chandigarh      |

|    |                  |   |   |
|----|------------------|---|---|
|    |                  | Interest ₹ 17,39,042                              |   |
| 6  | Denial of CENVAT | Basic & Penalty ₹ 7,51,035<br>Interest ₹ 7,41,035 | CESTAT  |
| 7  | Denial of CENVAT | Basic ₹ 1,33,333<br>Interest ₹ 1,33,333           | Remanded back to Commissioner Appeals by CESTAT in Aug'10 |
| 8  | Denial of CENVAT | Basic & Penalty ₹ 26,938<br>Interest ₹ 1,820      | Assisstant Commissioner, Ludhiana                         |
| 9  | Denial of CENVAT | Basic & Penalty ₹ 4,87,766<br>Interest ₹ 35,976   | Assisstant Commissioner, Ludhiana                         |
| 10 | Denial of CENVAT | Basic & Penalty ₹ 7,09,984<br>Interest ₹ 1,16,545 | Assisstant Commissioner, Ludhiana                         |
| 11 | Denial of CENVAT | Basic & Penalty ₹ 26,756<br>Interest ₹ 4,214      | Assisstant Commissioner, Ludhiana                         |
| 12 | Denial of CENVAT | Basic & Penalty ₹ 8,01,248<br>Interest ₹ 95,160   | Assisstant Commissioner, Ludhiana                         |
| 13 | Denial of CENVAT | Basic & Penalty ₹ 7,284<br>Interest ₹ 327         | Assisstant Commissioner, Ludhiana                         |
| 14 | Denial of CENVAT | Basic & Penalty ₹ 9,70,642<br>Interest ₹ 1,68,655 | Assisstant Commissioner, Ludhiana                         |

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**Year ended March 31, 2012:****Clause 16**

According to the records of the Company examined by us and the information and explanations given to us, in our opinion, there are no dues to sale tax, income tax/ sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited on account of any dispute, except the following:

| Sr. No. | Nature of dues            | Amount Due in ₹                           | Forum where pending                      |
|---------|---------------------------|---|--|
| 1       | Punjab Sales Tax          | Basic ₹ 1,86,500                          | Joint Director, Enforcement, Patiala     |
| 2       | Punjab Sales Tax          | Basic ₹ 1,80,000                          | Joint Director, Enforcement, Patiala     |
| 3       | Excise - Denial of CENVAT | Basic ₹ 4,15,723<br>Interest ₹ 4,05,723   | Chief Commisioner Excise, Chandigarh     |
| 4       | Excise - Denial of CENVAT | Basic ₹ 45,450<br>Interest ₹ 45,450       | CESTAT                                   |
| 5       | Excise - CREDIT           | Basic ₹ 27,78,084<br>Interest ₹ 17,39,042 | Commisioner Appeals, Chandigarh          |
| 6       | Excise - Denial of CENVAT | Basic ₹ 7,51,035<br>Interest ₹ 7,41,035   | CESTAT                                   |
| 7       | Excise - Denial of CENVAT | Basic ₹ 1,33,333                          | Remanded back to Commissioner Appeals by |

|    |                           |   |                                  |
|----|---------------------------|---|----------------------------------|
|    |                           | Interest ₹ 1,33,333   | CESTAT                           |
| 8  | Excise - Denial of CENVAT | Basic ₹ 5,44,993<br>Penalty ₹ 5,44,993<br>Interest ₹ 2,14,742 | Commissioner Appeals, Chandigarh |
| 9  | Excise - Denial of CENVAT | Basic ₹ 33,69,378<br>Interest ₹ 12,04,668                     | Assistant Commissioner, Ludhiana |
| 10 | Excise - Denial of CENVAT | Basic ₹ 1,85,693<br>Interest ₹ 1,49,848                       | Assistant Commissioner           |
| 11 | Excise - Denial of CENVAT | Basic ₹ 15,13,305<br>Interest ₹ 1,57,467                      | Assistant Commissioner           |
| 12 | Excise - Denial of CENVAT | Basic ₹ 5,78,560<br>Interest ₹ 49,075                         | Assistant Commissioner           |

**ANNEXURE V**
**RESTATED DETAIL OF SHARE CAPITAL**

(₹ In Lakh)

| PARTICULARS                             | As at 31st March 2016 |                  | As at 31st March 2015 |                  | As at 31st March 2014 |                  | As at 31st March 2013 |                  | As at 31st March 2012 |                  |
|---|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|
|   | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) |
| <b>Authorised</b>                       |                       |                  |                       |                  |                       |                  |                       |                  |                       |                  |
| Equity shares of ₹10 each               | 3,50,00,000.00        | 3,500.00         | 3,50,00,000.00        | 3,500.00         | 3,50,00,000.00        | 3,500.00         | 3,50,00,000.00        | 3,500.00         | 3,50,00,000.00        | 3,500.00         |
|   | <b>3,50,00,000.00</b> | <b>3,500.00</b>  | <b>3,50,00,000.00</b> | <b>3,500.00</b>  | <b>3,50,00,000.00</b> | <b>3,500.00</b>  | <b>3,50,00,000.00</b> | <b>3,500.00</b>  | <b>3,50,00,000.00</b> | <b>3,500.00</b>  |
| <b>Issued, subscribed and paid up</b>   |                       |                  |                       |                  |                       |                  |                       |                  |                       |                  |
| Equity shares of ₹10 each fully paid up |                       |                  |                       |                  |                       |                  |                       |                  |                       |                  |
| At the beginning of the year            | 1,85,55,376.00        | 1,855.54         | 1,85,55,376.00        | 1,855.54         | 1,85,55,376.00        | 1,855.54         | 1,85,55,376.00        | 1,855.54         | 58,25,000.00          | 582.50           |
| Add: Issued during the year             | -                     | -                | -                     | -                | -                     | -                | -                     | -                | 1,27,30,376.00        | 1,273.04         |
| At the end of the year                  |                       |                  |                       |                  |                       |                  |                       |                  |                       |                  |

|                                     |                       |                 |                       |                 |                       |                 |                       |                 |                       |                 |
|-------------------------------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|-----------------|
|                                     | 1,85,55,376.00        | 1,855.54        | 1,85,55,376.00        | 1,855.54        | 1,85,55,376.00        | 1,855.54        | 1,85,55,376.00        | 1,855.54        | 1,85,55,376.00        | 1,855.54        |
| <b>Total At the end of the year</b> | <b>1,85,55,376.00</b> | <b>1,855.54</b> | <b>1,85,55,376.00</b> | <b>1,855.54</b> | <b>1,85,55,376.00</b> | <b>1,855.54</b> | <b>1,85,55,376.00</b> | <b>1,855.54</b> | <b>1,85,55,376.00</b> | <b>1,855.54</b> |

**3(a)** The Aggregate number of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash in the last five years immediately preceding the balance sheet date is NIL

**3(b)** Equity Shares calls unpaid by Directors and Officers of the Company is NIL

**3(c)** Shares held by holding company or its ultimate holding company or subsidiaries or associates of the holding company or the ultimate holding company in aggregate.

**(₹ In Lakh)**

| PARTICULARS   | As at 31st March 2016 |                  | As at 31st March 2015 |                  | As at 31st March 2014 |                  | As at 31st March 2013 |                  | As at 31st March 2012 |                  |
|---|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|
|   | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) | Number of shares      | Amount (in Lakh) |
| Equity shares of ₹10/- each fully paid up held by         |                       |                  |                       |                  |                       |                  |                       |                  |                       |                  |
| Ultimate Holding Company                                  | -                     | -                | -                     | -                | -                     | -                | -                     | -                | -                     | -                |
| Holding Company   | -                     | -                | -                     | -                | -                     | -                | -                     | -                | -                     | -                |
| Subsidiary of ultimate Holding Company or Holding Company | -                     | -                | -                     | -                | -                     | -                | -                     | -                | -                     | -                |
| Associate of ultimate Holding Company or Holding Company  | -                     | -                | -                     | -                | -                     | -                | -                     | -                | -                     | -                |
| <b>Total</b>  | -                     | -                | -                     | -                | -                     | -                | -                     | -                | -                     | -                |

**3(d) Details of shareholders holding more than 5% shares of the Company**

| PARTICULARS  | As at 31st March 2016 |                        | As at 31st March 2015 |                        | As at 31st March 2014 |                        | As at 31st March 2013 |                        | As at 31st March 2012 |                        |
|--|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
|  | Number of shares      | % holding in the class | Number of shares      | % holding in the class | Number of shares      | % holding in the class | Number of shares      | % holding in the class | Number of shares      | % holding in the class |
| Equity shares of ₹10/- each fully paid up held by                          |                       |                        |                       |                        |                       |                        |                       |                        |                       |                        |
| Vardhman Textiles Limited  | 58,25,000.00          | 31.39                  | 58,25,000.00          | 31.39                  | 58,25,000.00          | 31.39                  | 58,25,000.00          | 31.39                  | 58,25,000.00          | 31.39                  |
| Vardhman Holdings Limited  | <b>30,80,517.00</b>   | <b>16.60</b>           | <b>30,80,517.00</b>   | <b>16.60</b>           | <b>30,80,517.00</b>   | <b>16.60</b>           | <b>30,80,517.00</b>   | <b>16.60</b>           | <b>30,80,517.00</b>   | <b>16.60</b>           |
| Adishwar Enterprises LLP (formerly Adinath Investment and Trading Company) | 25,22,655.00          | 13.60                  | 25,22,655.00          | 13.60                  | 25,22,655.00          | 13.60                  | 25,22,655.00          | 13.60                  | 25,22,655.00          | 13.60                  |
| Devakar Investment and Trading Company (P) Ltd                             | 11,08,175.00          | 5.97                   | 11,08,175.00          | 5.97                   | 11,08,175.00          | 5.97                   | 11,08,175.00          | 5.97                   | 11,08,175.00          | 5.97                   |
| <b>Total</b>   | <b>1,25,36,347.00</b> | <b>67.56</b>           | <b>1,25,36,347.00</b> | <b>67.56</b>           | <b>1,25,36,347.00</b> | <b>67.56</b>           | <b>1,25,36,347.00</b> | <b>67.56</b>           | <b>1,25,36,347.00</b> | <b>67.56</b>           |

**ANNEXURE VI  
RESTATED RESERVE & SURPLUS**

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>a) General reserve</b>  |                       |                       |                       |                       |                       |
| At the beginning of the year                                     | 13,890.62             | 13,890.62             | 13,890.62             | 13,890.62             | 13,890.62             |
| Add/Less : Transfer from Surplus in Profit & Loss Statement      | -                     | -                     | -                     | -                     | -                     |
| <b>At the end of the year</b>                                    | <b>13,890.62</b>      | <b>13,890.62</b>      | <b>13,890.62</b>      | <b>13,890.62</b>      | <b>13,890.62</b>      |
| <b>b) (Deficit)/ surplus in the Statement of Profit and Loss</b> |                       |                       |                       |                       |                       |
| Balance at the beginning of the year                             | 1,257.90              | 2,825.69              | 4,020.43              | 3,691.65              | 801.73                |

|   |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| Add/ (less): Depreciation charged to reserves as per schedule-II of Companies Act, 2013 (refer note-42) | -                | (89.77)          | -                | -                | -                |
| Add/ (less): Profit/ (loss) for the year  | 490.25           | (1,478.02)       | (1,194.74)       | 328.78           | 2,889.92         |
| Balance at the end of the year  | <b>1,748.15</b>  | <b>1,257.90</b>  | <b>2,825.69</b>  | <b>4,020.43</b>  | <b>3,691.65</b>  |
| <b>Total</b>  | <b>15,638.77</b> | <b>15,148.52</b> | <b>16,716.31</b> | <b>17,911.05</b> | <b>17,582.27</b> |

**ANNEXURE VII  
RESTATED LONG TERM BORROWINGS**

**(₹ In Lakh)**

| PARTICULARS   | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Banks - Foreign currency denominated loans (ECB)#                 | 10,303.43             | 10,414.17             | 9,982.67              | 9,044.72              | 8,476.61              |
| Less : - Current Maturities of long term borrowings(refer note-8) | (4,168.00)            | (693.86)              | -                     | -                     | -                     |
|   | <b>6,135.43</b>       | <b>9,720.31</b>       | <b>9,982.67</b>       | <b>9,044.72</b>       | <b>8,476.61</b>       |
| Bank - Term Loan  | 6,820.00              | 720.00                | 0.00                  | 0.00                  | 0.00                  |
| <b>Total</b>  | <b>12,955.43</b>      | <b>10,440.31</b>      | <b>9,982.67</b>       | <b>9,044.72</b>       | <b>8,476.61</b>       |

a) The above mentioned borrowings are secured by mortgage created or to be created on all the immovable assets of the Company, both present and future and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories and other movables, both present and future (except book debts), subject to charges created or to be created in favour of the Bankers for securing the working capital limits.

# Refer Note No.31 on restatement of External Commercial Borrowings

b) Terms of repayment of term loans\*

**(₹ In Lakh)**

| As at 31st March 2016 | As at 31st March 2015 | Repayment Period     |                       | Instalments Outstanding |                     | Periodicity of repayment |               |
|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|---------------------|--------------------------|---------------|
|                       |                       | Current Year (Years) | Previous Year (Years) | Current Year (No.)      | Previous Year (No.) | Current Year             | Previous Year |
| 720.00                | 720.00                | 5.00                 | 5.00                  | 20.00                   | 20.00               | Quarterly                | Quarterly     |
| 1,600.00              | -                     | 8.00                 | -                     | 32.00                   | -                   | Quarterly                | -             |
| 1,500.00              | -                     | 7.00                 | -                     | 28.00                   | -                   | Quarterly                | -             |
| 3,000.00              | -                     | 5.50                 | -                     | 22.00                   | -                   | Quarterly                | -             |
| 10,303.43             | 10,414.17             | 2.25                 | 2.25                  | 8.00                    | 9.00                | Quarterly                | Quarterly     |
| <b>17,123.43</b>      | <b>11,134.17</b>      |                      |                       |                         |                     |                          |               |

\* Figures of term loan stated above in para (b) includes current maturities of long term debt shown separately in note 8.

**ANNEXURE VIII  
 RESTATED DEFERRED TAX**

Accounting entries for deferred tax have been passed in accordance with the provisions of Accounting Standard (AS)-22 on 'Accounting for Taxes on Income'

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Deferred tax liabilities (a)</b>  |                       |                       |                       |                       |                       |
| Accelerated depreciation   | -2,709.22             | -1,934.01             | -1,340.49             | -429.65               | -457.25               |
| <b>Deferred tax assets</b>   |                       |                       |                       |                       |                       |
| Deferred Tax Asset arising on account of expenses allowable for tax purposes when paid u/s 43B | 421.99                | 339.36                | 316.64                | 53.68                 | 40.49                 |
| Deferred Tax Asset arising on account of provision for doubtful debt                           | 34.61                 | 9.69                  | 12.92                 | -                     | -                     |
| Unabsorbed losses and depreciation   | 3,569.03              | 3,153.52              | 2,112.83              | -                     | -                     |
| <b>Total</b>   | <b>4,025.63</b>       | <b>3,502.57</b>       | <b>2,442.38</b>       | <b>53.68</b>          | <b>40.49</b>          |
| <b>Deferred tax assets (b) *</b>   | <b>2,709.22</b>       | <b>1,934.01</b>       | <b>1,340.49</b>       | <b>53.68</b>          | <b>40.49</b>          |
| <b>Net deferred tax assets/(liability) [(a)-(b)]</b>   | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>-375.97</b>        | <b>-416.76</b>        |

\*In the absence of virtual certainty of realisability of deferred tax assets, the deferred tax assets have been recognized only to the extent of deferred tax liability.

**ANNEXURE IX  
 RESTATED OTHER LONG TERM LIABILITIES**

(₹ In Lakh)

| PARTICULARS            | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Securities received    | 5.55                  | 12.29                 | 6.57                  | 10.73                 | 16.69                 |
| Superannuation payable | 8.34                  | 6.71                  | 5.30                  | 5.66                  | 5.95                  |
| <b>Total</b>           | <b>13.89</b>          | <b>19.00</b>          | <b>11.87</b>          | <b>16.39</b>          | <b>22.64</b>          |

**ANNEXURE X  
 RESTATED LONG TERM PROVISION**
**(₹ In Lakh)**

| <b>PARTICULARS</b>              | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
|---------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Provision for employee benefits | -                            | -                            | -                            | -                            | -                            |
| Gratuity (funded)               | -                            | -                            | -                            | -                            | -                            |
| Leave encashment (unfunded)     | 62.88                        | 54.43                        | 50.95                        | 47.59                        | 44.42                        |
| <b>Total</b>                    | <b>62.88</b>                 | <b>54.43</b>                 | <b>50.95</b>                 | <b>47.59</b>                 | <b>44.42</b>                 |

**ANNEXURE XI  
 RESTATED SHORT TERM BORROWINGS**
**(₹ In Lakh)**

| <b>PARTICULARS</b>               | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
|----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Loans repayable on demand        |                              |                              |                              |                              |                              |
| From banks (Secured)*            | 15,182.35                    | 21,357.41                    | 18,148.98                    | 21,440.21                    | 8,999.12                     |
| From related parties (Unsecured) |                              |                              |                              |                              |                              |
| - Vardhman Textiles Limited      | 1,500.00                     | 2,554.57                     | 1,346.50                     | -                            | 2,981.05                     |
| - Vardhman Acrylics Limited      | -                            | -                            | -                            | -                            | 3,592.61                     |
| <b>Total</b>                     | <b>16,682.35</b>             | <b>23,911.98</b>             | <b>19,495.48</b>             | <b>21,440.21</b>             | <b>15,572.78</b>             |

\*Includes Working Capital Borrowings from Consortium Banks which are secured by hypothecation of entire present and future tangible current assets of the Company as well as a second charge on the entire present and future fixed assets of the Company.

**ANNEXURE XII  
 RESTATED TRADE PAYABLES**
**(₹ In Lakh)**

| <b>PARTICULARS</b>             | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Trade payables                 | 4,010.69                     | 5,150.03                     | 4,202.49                     | 3,299.15                     | 1,088.62                     |
| Trade payables : related party | 88.99                        | 7.07                         | -                            | 0.11                         | -                            |
| <b>Total</b>                   | <b>4,099.68</b>              | <b>5,157.10</b>              | <b>4,202.49</b>              | <b>3,299.26</b>              | <b>1,088.62</b>              |

**ANNEXURE XIII  
 RESTAED OTHER CURRENT LIABILITIES**
**(₹ In Lakh)**

| <b>PARTICULARS</b>                             | <b>As at 31st March<br/>2016</b> | <b>As at 31st March<br/>2015</b> | <b>As at 31st March<br/>2014</b> | <b>As at 31st March<br/>2013</b> | <b>As at 31st March<br/>2012</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Taxes Payable                                  | -                                | -                                | -                                | -                                | -                                |
| Salary/ Wages Payable                          | -                                | -                                | -                                | -                                | -                                |
| Creditors for Capital Goods                    | -                                | -                                | -                                | -                                | -                                |
| Security Received                              | -                                | -                                | -                                | -                                | -                                |
| Short Term Liabilities                         | -                                | -                                | -                                | -                                | -                                |
| Interest Accrued but not due on borrowings     | -                                | -                                | -                                | -                                | -                                |
| Other Payables                                 | -                                | -                                | -                                | -                                | -                                |
| Advances from customers                        | -                                | -                                | -                                | -                                | -                                |
| Current maturity of long term debt             | 4,168.00                         | 693.86                           | -                                | -                                | -                                |
| Interest accrued but not due on borrowings     | 93.84                            | 47.98                            | 61.16                            | 14.89                            | 15.12                            |
| Other payables                                 | -                                | -                                | -                                | -                                | -                                |
| -Statutory dues                                | 495.52                           | 761.46                           | 722.43                           | 846.64                           | 890.53                           |
| -Security deposits                             | 40.48                            | 28.61                            | 43.90                            | 33.13                            | -                                |
| -Payable on purchase of fixed assets           | 157.55                           | 449.01                           | 695.16                           | 997.65                           | -                                |
| -Advances from customers                       | 101.63                           | 113.51                           | 225.72                           | 199.84                           | 99.67                            |
| -Dues to employees                             | 323.16                           | 183.96                           | 115.09                           | 121.31                           | 155.27                           |
| -Expense payable                               | 4,311.41                         | 2,565.31                         | 2,198.87                         | 2,039.25                         | 761.38                           |
| Adjustment (Other Current Assets/ Liabilities) | -                                | -                                | 3.60                             | -                                | -                                |
| <b>Total</b>                                   | <b>9,691.59</b>                  | <b>4,843.70</b>                  | <b>4,065.93</b>                  | <b>4,252.71</b>                  | <b>1,921.97</b>                  |

**ANNEXURE XIV  
 RESTATED SHORT TERM PROVISIONS**
**(₹ In Lakh)**

| <b>PARTICULARS</b>                       | <b>As at 31st March<br/>2016</b> | <b>As at 31st March<br/>2015</b> | <b>As at 31st March<br/>2014</b> | <b>As at 31st March<br/>2013</b> | <b>As at 31st March<br/>2012</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Provision for employee benefits :</b> |                                  |                                  |                                  |                                  |                                  |
| Gratuity (funded)                        | 40.58                            | 43.61                            | 7.70                             | 42.28                            | 18.47                            |
| Leave encashment (unfunded)              | 21.56                            | 18.61                            | 14.25                            | 11.02                            | 7.98                             |
| Bonus & Ex-Gratia                        | -                                | -                                | -                                | -                                | -                                |
| Pension                                  | -                                | -                                | -                                | -                                | -                                |
| Provident Funds                          | -                                | -                                | -                                | -                                | -                                |
| Welfare Fund                             | -                                | -                                | -                                | -                                | -                                |

|   |              |              |              |              |               |
|---|--------------|--------------|--------------|--------------|---------------|
| ESI                                       | -            | -            | -            | -            | -             |
| <b>Other Provisions</b>                   | -            | -            | -            | -            | -             |
| Provision for Taxes ( Net of Advance Tax) | -            | -            | -            | 25.35        | 122.37        |
| <b>Total</b>                              | <b>62.14</b> | <b>62.22</b> | <b>21.95</b> | <b>78.65</b> | <b>148.82</b> |

**ANNEXURE XV**
**(i)- RESTATED STATEMENT OF TANGIBLE ASSETS**
**As at March 31, 2016**
**(₹ In Lakh)**

| Description            | Gross Block         |                 |                       | Depreciation         |                     |                 |                       | Net Block            |                      |                      |
|------------------------|---------------------|-----------------|-----------------------|----------------------|---------------------|-----------------|-----------------------|----------------------|----------------------|----------------------|
|                        | As at April 1, 2015 | Additions       | Deletions/adjustments | As at March 31, 2016 | As at April 1, 2015 | For the year    | Deletions/adjustments | As at March 31, 2016 | As at March 31, 2016 | As at March 31, 2015 |
| Land Freehold          | 844.94              | 0.00            | 0.00                  | 844.94               | 0.00                | 0.00            | 0.00                  | 0.00                 | 844.94               | 844.94               |
| Buildings              | 4,152.35            | 818.81          | 0.00                  | 4,971.16             | 1,127.17            | 135.89          | 0.00                  | 1,263.06             | 3,708.10             | 3,025.18             |
| Plant and machinery    | 24,021.38           | 2,973.94        | 404.06                | 26,591.26            | 5,222.32            | 1,483.35        | 248.04                | 6,457.63             | 20,133.63            | 18,799.06            |
| Furniture and fixtures | 134.05              | 4.33            | 8.04                  | 130.34               | 63.73               | 10.55           | 7.91                  | 66.37                | 63.97                | 70.32                |
| Vehicles               | 280.34              | 24.09           | 0.00                  | 304.43               | 103.52              | 36.13           | 0.00                  | 139.65               | 164.78               | 176.82               |
| Office equipment       | 213.59              | 65.44           | 10.72                 | 268.31               | 132.17              | 36.01           | 9.26                  | 158.92               | 109.39               | 81.42                |
| <b>Total</b>           | <b>29,646.65</b>    | <b>3,886.61</b> | <b>422.82</b>         | <b>33,110.44</b>     | <b>6,648.91</b>     | <b>1,701.93</b> | <b>265.21</b>         | <b>8,085.63</b>      | <b>25,024.81</b>     | <b>22,997.74</b>     |

**As at March 31, 2015**
**(₹ In Lakh)**

| Description         | Gross Block         |           |                       | Depreciation         |                     |              |                       | Net Block            |                      |                      |
|---------------------|---------------------|-----------|-----------------------|----------------------|---------------------|--------------|-----------------------|----------------------|----------------------|----------------------|
|                     | As at April 1, 2014 | Additions | Deletions/adjustments | As at March 31, 2015 | As at April 1, 2014 | For the year | Deletions/adjustments | As at March 31, 2015 | As at March 31, 2015 | As at March 31, 2014 |
| Land Freehold       | 844.94              | -         | -                     | 844.94               | -                   | -            | -                     | -                    | 844.94               | 844.94               |
| Buildings           | 3,574.30            | 578.05    | -                     | 4,152.35             | 943.59              | 109.28       | 74.30                 | 1,127.17             | 3,025.18             | 2,630.71             |
| Plant and machinery | 21,218.20           | 2,818.57  | 15.40                 | 24,021.37            | 4,028.45            | 1,194.98     | 1.11                  | 5,222.32             | 18,799.05            | 17,189.75            |
| Furniture and       |                     |           |                       |                      |                     |              | -                     |                      |                      |                      |

|                  |                  |                 |              |                  |                 |                 |              |                 |                  |                  |
|------------------|------------------|-----------------|--------------|------------------|-----------------|-----------------|--------------|-----------------|------------------|------------------|
| fixtures         | 133.61           | 0.44            | -            | 134.05           | 51.79           | 11.39           | 0.55         | 63.73           | 70.32            | 81.82            |
| Vehicles         | 278.15           | 9.19            | 7.00         | 280.34           | 69.75           | 38.04           | 4.27         | 103.52          | 176.82           | 208.40           |
| Office equipment | 168.89           | 44.70           | -            | 213.59           | 86.58           | 33.52           | 12.07        | 132.17          | 81.42            | 82.31            |
| <b>Total</b>     | <b>26,218.09</b> | <b>3,450.95</b> | <b>22.40</b> | <b>29,646.64</b> | <b>5,180.16</b> | <b>1,387.21</b> | <b>81.54</b> | <b>6,648.91</b> | <b>22,997.73</b> | <b>21,037.93</b> |

As at March 31, 2014

(₹ In Lakh)

| Description            | Gross Block         |                  |                       | Depreciation         |                     |               |                       | Net Block            |                      |                      |
|------------------------|---------------------|------------------|-----------------------|----------------------|---------------------|---------------|-----------------------|----------------------|----------------------|----------------------|
|                        | As at April 1, 2013 | Additions        | Deletions/adjustments | As at March 31, 2014 | As at April 1, 2013 | For the year  | Deletions/adjustments | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| Land Freehold          | 844.94              | -                | -                     | 844.94               | -                   | -             | -                     | -                    | 844.94               | 844.94               |
| Buildings              | 1,746.20            | 1,829.26         | 1.16                  | 3,574.30             | 875.94              | 68.15         | 0.50                  | 943.59               | 2,630.71             | 870.26               |
| Plant and machinery    | 6,644.70            | 15,648.20        | 1,074.70              | 21,218.20            | 4,554.82            | 458.56        | 984.93                | 4,028.45             | 17,189.75            | 2,089.88             |
| Furniture and fixtures | 92.96               | 40.65            | -                     | 133.61               | 47.30               | 4.49          | -                     | 51.79                | 81.82                | 45.66                |
| Vehicles               | 265.61              | 18.50            | 5.96                  | 278.15               | 48.18               | 24.89         | 3.32                  | 69.75                | 208.40               | 217.43               |
| Office equipment       | 128.03              | 40.92            | 0.06                  | 168.89               | 72.22               | 14.36         | -                     | 86.58                | 82.31                | 55.81                |
| <b>Total</b>           | <b>9,722.44</b>     | <b>17,577.53</b> | <b>1,081.88</b>       | <b>26,218.09</b>     | <b>5,598.46</b>     | <b>570.45</b> | <b>988.75</b>         | <b>5,180.16</b>      | <b>21,037.93</b>     | <b>4,123.98</b>      |

As at March 31, 2013

(₹ In Lakh)

| Description   | Gross Block         |           |                       | Depreciation         |                     |              |                       | Net Block            |                      |                      |
|---------------|---------------------|-----------|-----------------------|----------------------|---------------------|--------------|-----------------------|----------------------|----------------------|----------------------|
|               | As at April 1, 2012 | Additions | Deletions/adjustments | As at March 31, 2013 | As at April 1, 2012 | For the year | Deletions/adjustments | As at March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| Land Freehold | 844.94              | -         | -                     | 844.94               | -                   | -            | -                     | -                    | 844.94               | 844.94               |

|                        |                 |               |               |                 |                 |               |               |                 |                 |                 |
|------------------------|-----------------|---------------|---------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|
| Buildings              | 1,737.02        | 9.18          | -             | 1,746.20        | 822.49          | 53.45         | -             | 875.94          | 870.26          | 914.53          |
| Plant and machinery    | 6,609.75        | 145.60        | 110.65        | 6,644.70        | 4,356.94        | 308.11        | 110.23        | 4,554.82        | 2,089.88        | 2,252.81        |
| Furniture and fixtures | 65.49           | 27.85         | 0.38          | 92.96           | 45.26           | 2.42          | 0.38          | 47.30           | 45.66           | 20.23           |
| Vehicles               | 251.70          | 19.19         | 5.28          | 265.61          | 25.75           | 24.51         | 2.08          | 48.18           | 217.43          | 225.95          |
| Office equipment       | 130.43          | 19.25         | 21.65         | 128.03          | 82.77           | 9.79          | 20.34         | 72.22           | 55.81           | 47.66           |
| <b>Total</b>           | <b>9,639.33</b> | <b>221.07</b> | <b>137.96</b> | <b>9,722.44</b> | <b>5,333.21</b> | <b>398.28</b> | <b>133.03</b> | <b>5,598.46</b> | <b>4,123.98</b> | <b>4,306.12</b> |

As at March 31, 2012

(₹ In Lakh)

| Description            | Gross Block         |                 |                       | Depreciation         |                     |               |                       | Net Block            |                      |                      |
|------------------------|---------------------|-----------------|-----------------------|----------------------|---------------------|---------------|-----------------------|----------------------|----------------------|----------------------|
|                        | As at April 1, 2011 | Additions       | Deletions/adjustments | As at March 31, 2012 | As at April 1, 2011 | For the year  | Deletions/adjustments | As at March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Land Freehold          | 137.63              | 707.31          | -                     | 844.94               | -                   | -             | -                     | -                    | 844.94               | 137.63               |
| Buildings              | 1,663.39            | 73.63           | -                     | 1,737.02             | 770.96              | 51.53         | -                     | 822.49               | 914.53               | 892.43               |
| Plant and machinery    | 6,447.35            | 587.21          | 424.81                | 6,609.75             | 4,416.37            | 329.05        | 388.48                | 4,356.94             | 2,252.81             | 2,030.98             |
| Furniture and fixtures | 72.44               | 2.01            | 8.96                  | 65.49                | 50.36               | 2.94          | 8.04                  | 45.26                | 20.23                | 22.08                |
| Vehicles               | 104.42              | 147.28          | -                     | 251.70               | 12.08               | 13.67         | -                     | 25.75                | 225.95               | 92.34                |
| Office equipment       | 115.33              | 15.65           | 0.55                  | 130.43               | 74.50               | 8.73          | 0.46                  | 82.77                | 47.66                | 40.83                |
| <b>Total</b>           | <b>8,540.56</b>     | <b>1,533.09</b> | <b>434.32</b>         | <b>9,639.33</b>      | <b>5,324.27</b>     | <b>405.92</b> | <b>396.98</b>         | <b>5,333.21</b>      | <b>4,306.12</b>      | <b>3,216.29</b>      |

**RESTATED INTANGIBLE ASSETS**
**As at March 31, 2016**
**(₹ In Lakh)**

| Description       | Gross Block         |              |                               |                      | Depreciation        |              |                               |                      | Net Block            |                      |
|-------------------|---------------------|--------------|-------------------------------|----------------------|---------------------|--------------|-------------------------------|----------------------|----------------------|----------------------|
|                   | As at April 1, 2015 | Additions    | Deletions/<br>adjustment<br>s | As at March 31, 2016 | As at April 1, 2015 | For the year | Deletions/<br>adjustment<br>s | As at March 31, 2016 | As at March 31, 2016 | As at March 31, 2015 |
| Computer Software | -                   | 36.38        | -                             | 36.38                | -                   | 1.18         | -                             | 1.18                 | 35.20                | -                    |
| <b>Total</b>      | -                   | <b>36.38</b> | -                             | <b>36.38</b>         | -                   | <b>1.18</b>  | -                             | <b>1.18</b>          | <b>35.20</b>         | -                    |

**As at March 31, 2015**
**(₹ In Lakh)**

| Description       | Gross Block         |           |                               |                      | Depreciation        |              |                               |                      | Net Block            |                      |
|-------------------|---------------------|-----------|-------------------------------|----------------------|---------------------|--------------|-------------------------------|----------------------|----------------------|----------------------|
|                   | As at April 1, 2014 | Additions | Deletions/<br>adjustment<br>s | As at March 31, 2015 | As at April 1, 2014 | For the year | Deletions/<br>adjustment<br>s | As at March 31, 2015 | As at March 31, 2015 | As at March 31, 2014 |
| Computer Software | -                   | -         | -                             | -                    | -                   | -            | -                             | -                    | -                    | -                    |
| <b>Total</b>      | -                   | -         | -                             | -                    | -                   | -            | -                             | -                    | -                    | -                    |

**As at March 31, 2014**
**(₹ In Lakh)**

| Description       | Gross Block         |           |                               |                      | Depreciation        |              |                               |                      | Net Block            |                      |
|-------------------|---------------------|-----------|-------------------------------|----------------------|---------------------|--------------|-------------------------------|----------------------|----------------------|----------------------|
|                   | As at April 1, 2013 | Additions | Deletions/<br>adjustment<br>s | As at March 31, 2014 | As at April 1, 2013 | For the year | Deletions/<br>adjustment<br>s | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| Computer Software | -                   | -         | -                             | -                    | -                   | -            | -                             | -                    | -                    | -                    |
| <b>Total</b>      | -                   | -         | -                             | -                    | -                   | -            | -                             | -                    | -                    | -                    |

**As at March 31, 2013**
**(₹ In Lakh)**

| Description       | Gross Block         |           |                               |                 | Depreciation   |              |                               |                      | Net Block       |                 |
|-------------------|---------------------|-----------|-------------------------------|-----------------|----------------|--------------|-------------------------------|----------------------|-----------------|-----------------|
|                   | As at April 1, 2012 | Additions | Deletions/<br>adjustment<br>s | As at March 31, | As at April 1, | For the year | Deletions/<br>adjustment<br>s | As at March 31, 2013 | As at March 31, | As at March 31, |
| Computer Software | -                   | -         | -                             | -               | -              | -            | -                             | -                    | -               | -               |
| <b>Total</b>      | -                   | -         | -                             | -               | -              | -            | -                             | -                    | -               | -               |

|                   |   |   | adjustments | 2013 | 2012 |   | adjustments |   | 2013 | 2012 |
|-------------------|---|---|-------------|------|------|---|-------------|---|------|------|
| Computer Software | - | - | -           | -    | -    | - | -           | - | -    | -    |
| <b>Total</b>      | - | - | -           | -    | -    | - | -           | - | -    | -    |

As at March 31, 2012

(₹ In Lakh)

| Description       | Gross Block         |           |                       |                      | Depreciation        |              |                       |                      | Net Block            |                      |
|-------------------|---------------------|-----------|-----------------------|----------------------|---------------------|--------------|-----------------------|----------------------|----------------------|----------------------|
|                   | As at April 1, 2011 | Additions | Deletions/adjustments | As at March 31, 2012 | As at April 1, 2011 | For the year | Deletions/adjustments | As at March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Computer Software | -                   | -         | -                     | -                    | -                   | -            | -                     | -                    | -                    | -                    |
| <b>Total</b>      | -                   | -         | -                     | -                    | -                   | -            | -                     | -                    | -                    | -                    |

#### ANNEXURE XVI

#### RESTATED NON CURRENT INVESTMENTS

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Debt Funds/ Fixed Maturity Plans (QUOTED )</b>  |                       |                       |                       |                       |                       |
| 10,000,000 Units of ₹10/- each of Reliance Fixed Horizon Fund series 10-Growth Plan*                         | -                     | -                     | -                     | -                     | 1,000.00              |
| 10,000,000 Units of ₹10/- each of Birla Sun Life Fixed Term Plan series CX-Growth Plan*                      | -                     | -                     | -                     | -                     | 1,000.00              |
| 20,000,000 of ₹ 10 each of Reliance Fixed Horizon Fund XXI Series 18 Growth Option*                          | -                     | -                     | -                     | -                     | 2,000.00              |
| 15,000,000 units of ₹ 10 each HDFC FMP 36 M October 2011(1)-Growth Fund * \$                                 | -                     | -                     | -                     | 1,500.00              | 1,500.00              |
| 19,999,990 units of ₹ 10 each of ICICI Prudential Fixed Maturity Plan Series 63-384 Days*                    | -                     | -                     | -                     | -                     | 2,000.00              |
| 10,000,000 units (Previous year 10,000,000) of ₹ 10/- each Birla Sunlife Fixed Term Plan -Series (1185 Days) | -                     | -                     | 1,000.00              | 1,000.00              | -                     |
| 5,000,000 of ₹ 10 each of Kotak Mutual Fund as (Kotak FMP Series 77 - Growth)                                | -                     | -                     | -                     | -                     | 500.00                |

| <b>Bonds / Debentures (Unquoted )</b>                          |               |               |                 |                 |                 |
|--|---------------|---------------|-----------------|-----------------|-----------------|
| IIFL Real Estate Fund (Domestic) Series-I                      | 129.69        | 408.22        | 675.27          | 351.66          | 125.00          |
| Less: Provision for diminution in value of investment          | -             | -             | -               | -               | -               |
| <b>Total</b>   | <b>129.69</b> | <b>408.22</b> | <b>1,675.27</b> | <b>2,851.66</b> | <b>8,125.00</b> |
| Aggregate book value of quoted investments                     | -             | -             | 1,000.00        | 2,500.00        | 8,000.00        |
| Aggregate market value of quoted investments                   | -             | -             | 1,098.58        | 2,743.49        | 8,180.15        |
| Aggregate book value of unquoted investments                   | 129.69        | 408.22        | 675.27          | 351.66          | 125.00          |
| Aggregate provision for diminution in the value of investments | -             | -             | -               | -               | -               |

Note: Non-Current Investment having maturity period less than 12 months as on date of balance sheet have been shown under the head Current Investment

\* Lien Marked in Favour of Deutsche Bank AG against the overdraft facility sanction by it.

\$ Non Current Investment having maturity period less than 12 months as on date of Balance Sheet have been shown under the head Current Investment as per the requirement of Guidance Note on the Revised Schedule VI to the Companies Act, 1956 issued by “The Institute of Chartered Accountants of India”.

#### ANNEXURE XVII RESTATED LONG TERM LOAN AND ADVANCES

| PARTICULARS                                    | (₹ In Lakh)              |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | As at 31st<br>March 2016 | As at 31st March<br>2015 | As at 31st<br>March 2014 | As at 31st<br>March 2013 | As at 31st March<br>2012 |
| <b>Unsecured, considered good</b>              | -                        | -                        | -                        | -                        | -                        |
| Capital Advances                               | 199.95                   | 73.92                    | 62.43                    | 1,410.12                 | 935.86                   |
| Security deposits                              | 1,007.78                 | 783.88                   | 564.00                   | 553.68                   | 340.43                   |
| Other loans and advances :                     | -                        | -                        | -                        | -                        | -                        |
| -Loans to employees                            | 31.52                    | 21.81                    | 29.90                    | 28.62                    | 30.06                    |
| -Prepaid expenses                              | 7.56                     | 7.83                     | 4.07                     | 3.80                     | 2.53                     |
| -Advance Income Tax (net of provision for tax) | 98.39                    | 99.96                    | 82.69                    | -                        | -                        |
| <b>Total</b>                                   | <b>1,345.20</b>          | <b>987.40</b>            | <b>743.09</b>            | <b>1,996.22</b>          | <b>1,308.88</b>          |

Note: No Loans & Advances have been made to the directors or promoters or persons related to the directors or promoters of the Company.

**ANNEXURE XVIII  
 RESTATED CURRENT INVESTMENTS**
**(₹ In Lakh)**

| <b>PARTICULARS</b>   | <b>As at 31st<br/>March 2016</b> | <b>As at 31st March<br/>2015</b> | <b>As at 31st<br/>March 2014</b> | <b>As at 31st<br/>March 2013</b> | <b>As at 31st March<br/>2012</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Other than trade   | -                                | -                                | -                                | -                                | -                                |
| Equity Linked Mutual Funds / Liquid Funds (QUOTED) *                                       | -                                | -                                | -                                | -                                | -                                |
| 1,698,037 units of ₹ 10/- each of Birla Sun Life Dynamic Bond Fund (Growth Plan) *         | -                                | -                                | -                                | 300.00                           | 300.00                           |
| 1,614,974 units of ₹ 10/- each of UTI Short Term Income Fund-Institutional Growth Option * | -                                | -                                | -                                | 200.00                           | 200.00                           |
| 8,828,385 units of ₹ 10/- each of HDFC Medium Term Opportunities Fund-Growth Fund *        | -                                | -                                | -                                | 1,000.00                         | 1,000.00                         |
| 2,305,965 units of ₹ 10/- each State Bank of India Dyanamic Bond Fund (Growth) *           | -                                | -                                | -                                | 300.00                           | 300.00                           |
| 3,798,065 units of ₹ 10/- each IDFC Bond Fund (Growth) *                                   | -                                | -                                | -                                | 500.00                           | -                                |
| 9,878,495 of ₹ 10/- each JP Morgan India Active Bond Fund (Growth) *                       | -                                | -                                | -                                | 1,000.00                         | -                                |
| 1,550,210 of ₹ 10/- each Kotak Bond Fund Regular -Plan A (Growth) *                        | -                                | -                                | -                                | 500.00                           | -                                |
| 20,000,000 units of ₹ 10/- each Reliance Fixed Horizon Fund XXI Series 18 Growth Option *  | -                                | -                                | -                                | 2,000.00                         | -                                |
| 19,999,990 units of ₹ 10 each ICICI Prudential Fixed Maturity Plan Series 63-384 Days *    | -                                | -                                | -                                | 2,000.00                         | -                                |
| 5,000,000 units of ₹ 10/- each Kotak Mutual Fund as (Kotak FMP Series 77 - Growth)         | -                                | -                                | -                                | 500.00                           | -                                |
| 9,733,118 units of ₹ 10/- each DWS Premier Bond Fund (Growth)                              | -                                | -                                | -                                | 1,000.00                         | -                                |
| <b>Debt Funds/ Fixed Maturity Plans (Quoted )</b>  |                                  |                                  |                                  |                                  |                                  |
| 10,000,000 units of ₹10/- each of Birla Sunlife Fixed Term Plan -Series * #                | 1,000.00                         | 1,000.00                         | -                                | -                                | -                                |
| 15,000,000 units of ₹ 10 each HDFC FMP 36 M October 2011(1)-Growth Fund * \$               | -                                | -                                | 1,500.00                         | -                                | -                                |
|  | <b>1,000.00</b>                  | <b>1,000.00</b>                  | <b>1,500.00</b>                  | <b>9,300.00</b>                  | <b>1,800.00</b>                  |
| Aggregate book value of quoted investments   | <b>1,000.00</b>                  | <b>1,000.00</b>                  | <b>1,500.00</b>                  | <b>9,300.00</b>                  | 1,800.00                         |
| Aggregate market value of quoted investments   | 1,308.11                         | 1,213.68                         | 1,889.76                         | 10,208.56                        | 1,822.83                         |
| Aggregate book value of unquoted investments   | -                                | -                                | -                                | -                                | -                                |
| Aggregate provision Diminution in the value of investments                                 | -                                | -                                | -                                | -                                | -                                |

\* Lien Marked in Favor of Deutsche Bank AG against the overdraft facility sanction by it.

# Non Current Investment having maturity period less than 12 months as on date of balance sheet have been shown under the head Current Investment.

**ANNEXURE XIX  
RESTATED INVENTORIES**

| PARTICULARS                  | (₹ In Lakh)           |                       |                       |                       |                       |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| Raw materials                | 880.77                | 1,956.14              | 1,150.83              | 683.63                | 1,292.42              |
| Raw materials in transit     | 1,538.08              | 389.91                | 357.28                | 533.63                | 975.55                |
| Stores and spares            | 1,896.49              | 1,926.51              | 1,483.81              | 1,006.44              | 884.76                |
| Stores and spares in transit | 244.12                | 174.30                | 254.11                | 177.47                | 9.20                  |
| Finished goods               | 6,130.92              | 8,842.12              | 8,685.19              | 8,969.14              | 6,420.96              |
| <b>Total</b>                 | <b>10,690.38</b>      | <b>13,288.98</b>      | <b>11,931.22</b>      | <b>11,370.31</b>      | <b>9,582.89</b>       |

**ANNEXURE XX  
RESTATED TRADE RECEIVABLES**

| PARTICULARS  | (₹ In Lakh)           |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| Debts outstanding for a period exceeding six months from the date they are due for payment |                       |                       |                       |                       |                       |
| Secured, considered good   | -                     | -                     | -                     | -                     | -                     |
| Unsecured, considered good   | 734.38                | 251.76                | 260.40                | 202.51                | 49.63                 |
| Debts due from related parties, unsecured  | -                     | -                     | -                     | -                     | -                     |
| Unsecured, considered doubtful   | 100.00                | 60.00                 | 38.00                 | -                     | -                     |
| Less: provision for doubtful debts   | 100.00                | 60.00                 | 38.00                 | -                     | -                     |
|  | <b>734.38</b>         | <b>251.76</b>         | <b>260.40</b>         | <b>202.51</b>         | <b>49.63</b>          |
| Other debts  |                       |                       |                       |                       |                       |
| Unsecured, considered good   | 18,682.56             | 17,646.46             | 12,015.95             | 10,023.51             | 10,498.96             |
| <b>Total</b>   | <b>19,416.94</b>      | <b>17,898.22</b>      | <b>12,276.35</b>      | <b>10,226.02</b>      | <b>10,548.59</b>      |

Note: None of the sundry debtors are related to the directors or promoters of the Company in any way.

**ANNEXURE XX(A)**  
**RESTATED NON- CURRENT TRADE RECEIVABLES**

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debts outstanding for a period exceeding six months from the date they are due for payment |                       |                       |                       |                       |                       |
| Secured, considered good   | -                     | -                     | -                     | -                     | -                     |
| Unsecured, considered good   | -                     | -                     | -                     | 113.84                | 40.33                 |
| Debts due from related parties, unsecured  | -                     | -                     | -                     | -                     | -                     |
| Unsecured, considered doubtful   | -                     | -                     | -                     | 38.00                 | -                     |
| Less: provision for doubtful debts   | -                     | -                     | -                     | 38.00                 | -                     |
|  | -                     | -                     | -                     | <b>113.84</b>         | <b>40.33</b>          |
| Other debts  |                       |                       |                       |                       |                       |
| Unsecured, considered good   | -                     | -                     | -                     | -                     | -                     |
| <b>Total</b>   | -                     | -                     | -                     | <b>113.84</b>         | <b>40.33</b>          |

**ANNEXURE XXI**  
**RESTATED CASH & CASH EQUIVALENTS**

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Cash and cash equivalents</b>                                       |                       |                       |                       |                       |                       |
| Balance with banks in  |                       |                       |                       |                       |                       |
| Current accounts   | 370.17                | 857.12                | 1,004.91              | 423.10                | 392.36                |
| Fixed deposits   | 2.52                  | 5.52                  | 375.54                | 1,656.46              | 3.20                  |
| Fixed deposits (under lien)  | -                     | -                     | -                     | 850.00                | -                     |
| Cheques /drafts on hand  | -                     | -                     | -                     | 82.83                 | 277.16                |
| Others (Imprest)   | -                     | -                     | -                     | -                     | 2.22                  |
| Cash in hand   | 6.37                  | 2.21                  | 4.29                  | 10.01                 | 15.03                 |
| <b>Total</b>   | <b>379.06</b>         | <b>864.85</b>         | <b>1,384.74</b>       | <b>3,022.40</b>       | <b>689.97</b>         |
| <b>Other bank balances</b>   | -                     | -                     | -                     | -                     | -                     |
| <b>Fixed Deposits with maturity of more than 12 months(under lien)</b> | -                     | -                     | -                     | -                     | 7,910.00              |
| <b>Fixed Deposits with maturity of more than 12 months</b>             | -                     | -                     | 5.10                  | 5.10                  | 2.10                  |
| <b>Balance in bnaks for margin money</b>                               | -                     | -                     | -                     | -                     | 109.20                |
|  | <b>379.06</b>         | <b>864.85</b>         | <b>1,389.84</b>       | <b>3,027.50</b>       | <b>8,711.27</b>       |

**ANNEXURE XXII**  
**RESTATED SHORT TERM LOANS AND ADVANCES AND OTHER CURRENT ASSETS**

(₹ In Lakh)

| PARTICULARS   | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>A. Short term loans and advances</b>                                       |                       |                       |                       |                       |                       |
| Security deposits   | -                     | -                     | 4.59                  | 12.15                 | 5.97                  |
| Secured, considered good  |                       |                       |                       |                       |                       |
| Other loans and advances (unsecured Considered good, unless otherwise stated) | -                     | -                     | -                     | -                     | -                     |
| Loans to employees  | 60.30                 | 54.42                 | 43.41                 | 36.10                 | 25.45                 |
| Other Current assets  | 186.41                | 216.56                | 239.80                | 306.43                | 78.90                 |
| Balance with government authorities   | 1,096.65              | 971.17                | 1,379.91              | 1,096.63              | 170.38                |
| Prepaid expenses  | 53.11                 | 82.73                 | 27.29                 | 17.35                 | 27.52                 |
| Advances to suppliers & contractors   | 1,432.38              | 610.28                | 1,151.74              | 358.57                | 1,288.54              |
| <b>Total short term loans and advances</b>                                    | <b>2,828.85</b>       | <b>1,935.16</b>       | <b>2,846.74</b>       | <b>1,827.23</b>       | <b>1,596.76</b>       |
| <b>B. Other Current Assets</b>  |                       |                       |                       |                       |                       |
| (Unsecured considered good, unless otherwise stated)                          | -                     | -                     | -                     | -                     | -                     |
| Interest accrued on fixed deposits  | 1.30                  | 1.38                  | 47.94                 | 321.12                | 225.84                |
| Adjustment (Other Current Assets/ Liabilities)                                | -                     | 31.04                 | -                     | 29.60                 | 26.66                 |
| <b>Total Other Current Assets</b>   | <b>1.30</b>           | <b>32.42</b>          | <b>47.94</b>          | <b>350.72</b>         | <b>252.50</b>         |

Note: No Loans &amp; Advances have been made to the directors or promoters or persons related to the directors or promoters of the Company.

**ANNEXURE XXIII**  
**RESTATED REVENUE FROM OPERATIONS**

(₹ In Lakh)

| PARTICULARS                                 | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Sale of products</b>                     |                       |                       |                       |                       |                       |
| Own manufactured :                          | -                     | -                     | -                     | -                     | -                     |
| Steel Bars                                  | 72,539.91             | 73,032.21             | 40,535.41             | 49,123.63             | 57,355.70             |
| Billets                                     | -                     | -                     | -                     | -                     | 67.17                 |
| By Products/Waste                           | -                     | -                     | 20.90                 | 41.32                 | 464.61                |
| Miscellaneous sales                         | 239.98                | 273.00                | 233.79                | 209.37                | 181.49                |
| Other operating revenue : Export incentives | 152.99                | 112.92                | 75.40                 | 100.78                | 50.17                 |
| <b>Revenue from operations (Gross)</b>      | <b>72,932.88</b>      | <b>73,418.13</b>      | <b>40,865.50</b>      | <b>49,475.10</b>      | <b>58,119.14</b>      |

**ANNEXURE XXIV  
 RESTATED OTHER INCOME**
**(₹ In Lakh)**

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Interest income on   |                       |                       |                       |                       |                       |
| Others - <i>(Recurring)</i>  | 91.39                 | 106.93                | 65.11                 | 34.55                 | 38.74                 |
| Net Gain on Account of Foreign Exchange Fluctuation - <i>(Non-Recurring)</i> | -                     | -                     | -                     | 74.10                 | 369.85                |
| Dividend income from Current Investments - <i>(Recurring)</i>                | 6.28                  | 2.34                  | 22.57                 | 8.33                  | 3.62                  |
| Profit on sale of Investments :  | -                     | -                     | -                     | -                     | -                     |
| -Current Investments - <i>(Non-Recurring)</i>                                | 36.23                 | 20.74                 | 5.10                  | 2.95                  | -                     |
| -Long Term Investments - <i>(Non-Recurring)</i>                              | -                     | 502.28                | 1,033.41              | 198.88                | -                     |
| Interest income from current Investments - <i>(Recurring)</i>                | 19.34                 | 108.37                | 64.31                 | 21.43                 | -                     |
| Interest income from current Investments (Tax Free) - <i>(Non-Recurring)</i> | -                     | -                     | -                     | 13.15                 | -                     |
| Net gain on sale of fixed assets - <i>(Non-Recurring)</i>                    | -                     | 8.49                  | 324.44                | 75.97                 | 27.63                 |
| Provision no longer required written back - <i>(Non-Recurring)</i>           | -                     | -                     | -                     | -                     | -                     |
| Sundry Balances Written Back - <i>(Non-Recurring)</i>                        | 35.64                 | 21.72                 | 2.27                  | 33.71                 | 26.22                 |
| Prior Period Income - <i>(Non-Recurring)</i>                                 | -                     | -                     | -                     | -                     | -                     |
| Miscellaneous Income - <i>(Non-Recurring)</i>                                | 20.30                 | 18.44                 | 23.75                 | 49.52                 | 38.23                 |
| <b>Total</b>   | <b>209.18</b>         | <b>789.31</b>         | <b>1,540.96</b>       | <b>512.59</b>         | <b>504.29</b>         |

**ANNEXURE XXV  
 RESTATED OPERATING & OTHER EXPENSES**
**(₹ In Lakh)**

| PARTICULARS   | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>A. Cost of material consumed</b>   |                       |                       |                       |                       |                       |
| Raw material scrap & ferro alloys   | 32,508.39             | 40,885.04             | 30,634.66             | 28,044.58             | 30,573.03             |
| <b>Total Cost of material consumed</b>  | <b>32,508.39</b>      | <b>40,885.04</b>      | <b>30,634.66</b>      | <b>28,044.58</b>      | <b>30,573.03</b>      |
| <b>B. Changes in Inventory of Finished goods, Work in progress and stock in trade</b> |                       |                       |                       |                       |                       |
| Opening stock   | -                     | -                     | -                     | -                     | -                     |

|  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| Finished goods   | 8,842.12         | 8,685.19         | 8,969.14         | 6,420.96         | 6,249.61         |
| Add : Material Transferred from Trial Run              | -                | -                | 6,734.81         | -                | -                |
| Closing stock  | -                | -                | -                | -                | -                |
| Finished goods   | 6,130.92         | 8,842.12         | 8,685.19         | 8,969.14         | 6,420.96         |
| <b>Net (Increase) / Decrease</b>                       | <b>2,711.20</b>  | <b>-156.93</b>   | <b>7,018.76</b>  | <b>-2,548.18</b> | <b>-171.35</b>   |
| <b>C. Employee Benefit Expenses</b>                    |                  |                  |                  |                  |                  |
| Salaries, Wages and Bonus                              | 3,080.95         | 2,554.68         | 1,917.32         | 1,907.40         | 2,069.39         |
| Contribution to provident and other fund               | 276.10           | 257.01           | 166.63           | 185.54           | 147.57           |
| Staff welfare expense                                  | 26.53            | 21.76            | 42.45            | 22.12            | 32.44            |
| <b>Total of Employee Benefit Expenses</b>              | <b>3,383.58</b>  | <b>2,833.45</b>  | <b>2,126.40</b>  | <b>2,115.06</b>  | <b>2,249.40</b>  |
| <b>D. Other Expenses</b>                               |                  |                  |                  |                  |                  |
| Consumption of stores and spare parts                  | 5,475.16         | 5,385.90         | 3,844.15         | 3,193.08         | 3,148.29         |
| Power and fuel   | 10,755.53        | 10,372.60        | 7,472.69         | 6,878.15         | 6,634.42         |
| Packing material                                       | 138.93           | 116.65           | 115.35           | 118.47           | 78.70            |
| Processing charges                                     | 292.47           | 606.44           | 2,058.84         | 1,438.62         | 1,735.85         |
| Rent   | 78.21            | 46.33            | 14.66            | 32.02            | 16.96            |
| Repairs to building                                    | 239.21           | 107.93           | 76.44            | 138.97           | 189.30           |
| Repairs to machinery                                   | 1,326.90         | 858.11           | 667.35           | 726.69           | 883.65           |
| Insurance  | 58.24            | 51.89            | 28.36            | 23.41            | 33.12            |
| Rates and taxes, excluding taxes on income             | 51.55            | 14.46            | 12.44            | 17.39            | 14.67            |
| Payment to Auditors **                                 | 4.82             | 3.74             | 3.31             | 3.14             | 2.41             |
| Net loss on account of foreign exchange fluctuation    | 873.22           | 724.69           | 1,695.01         | 149.94           | 106.41           |
| Net Loss on sale of Fixed assets                       | 111.80           | -                | -                | -                | -                |
| Bad debt/other assets/balances written off             | 26.79            | 0.04             | -                | 1.71             | 1.48             |
| Other Assets written-off                               | -                | -                | -                | 27.49            | 3.79             |
| Provision for doubtful debts                           | 40.00            | 22.00            | -                | 38.00            | -                |
| Freight & cartage on sale                              | 1,947.87         | 1,519.30         | 842.69           | 1,026.69         | 1,134.97         |
| Cash and other discount, commission                    | 387.61           | 405.16           | 317.70           | 474.39           | 401.77           |
| Other Selling exp.                                     | -                | -                | -                | -                | -                |
| Miscellaneous expenses                                 | 627.20           | 694.59           | 356.59           | 485.61           | 413.23           |
| <b>Total of Other Expenses</b>                         | <b>22,435.51</b> | <b>20,929.83</b> | <b>17,505.58</b> | <b>14,773.77</b> | <b>14,799.02</b> |
| <b>E. Finance Cost</b>                                 |                  |                  |                  |                  |                  |
| Interest expense (Net of Interest Received from Banks) | 2,179.58         | 1,903.44         | 1,085.07         | 970.45           | 581.29           |

|                                   |                              |                              |                              |                              |                              |
|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Other borrowing cost              | 50.32                        | 15.39                        | 33.01                        | 34.70                        | 15.88                        |
| Bank charges                      | 123.07                       | 102.66                       | 71.64                        | 81.57                        | 62.63                        |
| <b>Total of Finance Cost</b>      | <b>2,352.97</b>              | <b>2,021.49</b>              | <b>1,189.72</b>              | <b>1,086.72</b>              | <b>659.80</b>                |
| <b>F. Depreciation</b>            |                              |                              |                              |                              |                              |
| Depreciation on tangible assets   | 1,701.93                     | 1,387.22                     | 570.45                       | 398.28                       | 405.91                       |
| Amortisation of intangible assets | 1.18                         | -                            | -                            | -                            | -                            |
| <b>Total of Depreciation</b>      | <b>1,703.11</b>              | <b>1,387.22</b>              | <b>570.45</b>                | <b>398.28</b>                | <b>405.91</b>                |
| <b>** Payment to Auditors</b>     | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
| As auditor                        |                              |                              |                              |                              |                              |
| Audit fee                         | 2.75                         | 2.00                         | 2.00                         | 1.50                         | 1.49                         |
| Tax audit fee                     | 0.75                         | 0.50                         | 0.50                         | 0.50                         | 0.50                         |
| Cost audit fees                   | 0.36                         | 0.36                         | 0.31                         | 0.31                         | 0.26                         |
| For reimbursement of expenses     | 0.96                         | 0.88                         | 0.50                         | 0.78                         | 0.16                         |
| For other services                | -                            | -                            | -                            | 0.05                         | -                            |
| <b>Total</b>                      | <b>4.82</b>                  | <b>3.74</b>                  | <b>3.31</b>                  | <b>3.14</b>                  | <b>2.41</b>                  |

## ANNEXURE XXVI

### OTHER NOTES

#### 1. RESTATED CONTINGENT LIABILITIES

(₹ In Lakh)

| PARTICULARS  | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| a) Bank Guarantees and Letters of Credit Outstanding   | 5,498.69              | 7,414.05              | 3,122.20              | 4,220.11              | 7,615.74              |
| b) Other Contingent Liabilities  | 2,209.94              | 232.61                | 83.14                 | 241.4                 | 90.37                 |
| c) Claims Against the Company Not Acknowledged as Debts  | 73.87                 | 371.13                | 258.73                | 109.81                | 112.77                |
| d) Estimated amount of capital contracts remaining to be executed  | 2,436.44              | 1,407.88              | 120.13                | 9,560.97              | 10,150.91             |
| Other Contingent Liabilities include additional demands in respect of Income Tax/Excise Duty/Service Tax / Sale Tax/VAT in different cases, which have been contested by the Company and various appeals have been filed with the Appellate Authorities. No provision has been made in the books of accounts in respect thereof. | 2,209.93              | 603.74                | 83.14                 | 109.81                | 112.77                |

**2. Related Party Disclosure**

## (i) Related parties: Names and Descriptions

| Sr. No. | PARTICULARS  | As at 31st March 2016                       | As at 31st March 2015                       | As at 31st March 2014                       | As at 31st March 2013                       | As at 31st March 2012                       |
|---------|--|---|---|---|---|---|
| 1       | Key Management Personnel (KMP)                                       | Mr. Sachit Jain (MD)                        | Mr. Sachit Jain (MD)                        | Mr. Sachit Jain (MD)                        | Mr. Sachit Jain (MD)                        | Mr. Sachit Jain (MD)                        |
|         |  | Mr. Naresh Bansal (CE)                      | -   | -   |   |   |
|         |  | Mr. Sanjeev Singla (CFO)                    | -   | -   |   |   |
|         |  | Ms. Sonam Taneja (CS)                       | -   | -   |   |   |
| 2       | Enterprises over which KMP is able to exercise significant influence | Vardhman Textiles Limited                   | Vardhman Textiles Limited                   | Vardhman Textiles Limited                   | Vardhman Textiles Limited                   | Vardhman Textiles Limited                   |
|         |  | Vardhman Holdings Limited                   | Vardhman Holdings Limited                   | Vardhman Holdings Limited                   | Vardhman Holdings Limited                   | Vardhman Holdings Limited                   |
|         |  | Vardhman Acrylics Limited                   | Vardhman Acrylics Limited                   | Vardhman Acrylics Limited                   | Vardhman Acrylics Limited                   | Vardhman Acrylics Limited                   |
|         |  | Vardhman Nisshinbo Garments Company Limited | Vardhman Nisshinbo Garments Company Limited | Vardhman Nisshinbo Garments Company Limited | Vardhman Nisshinbo Garments Company Limited | Vardhman Nisshinbo Garments Company Limited |
|         |  | Vardhman Yarns & Threads Limited            | Vardhman Yarns & Threads Limited            | Vardhman Yarns & Threads Limited            | Vardhman Yarns & Threads Limited            | Vardhman Yarns & Threads Limited            |
|         |  | VTL Investments Limited                     | VTL Investments Limited                     | VTL Investments Limited                     | VTL Investments Limited                     | VTL Investments Limited                     |
|         |  | VMT Spinning Company Limited                | VMT Spinning Company Limited                | VMT Spinning Company Limited                | VMT Spinning Company Limited                | VMT Spinning Company Limited                |

## (ii) Related Party Transactions:

Details of transactions entered into with related parties during the year as required by Accounting Standard (AS) - 18 on "Related Party Disclosures":

| <b>(₹ In Lakhs)</b> |                                |                       |                       |                       |                       |
|---------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| PARTICULARS         | Key Management Personnel (KMP) |                       |                       |                       |                       |
|                     | As at 31st March 2016          | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| KMP Remuneration    | 158.18                         | 52.62                 | 24.00                 | 43.00                 | 163.19                |

**(₹ In Lakhs)**

| PARTICULARS                  | Enterprises over which KMP is able to exercise significant influence |                       |                       |                       |                       |
|------------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | As at 31st March 2016  | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| Purchase/Processing of goods |  |                       |                       |                       |                       |

|   |          |           |           |           |           |
|---|----------|-----------|-----------|-----------|-----------|
|   | 70.26    | 77.79     | 83.90     | 43.59     | 60.63     |
| Purchase of FOCUS/DEPB licenses             | 368.50   | 58.57     | 32.33     | 1,144.05  | 1,099.77  |
| Sales/Processing of goods                   | -        | 3.15      | 1.57      | -         | -         |
| Logo Charges (Inc. Service Tax)             | 14.31    | 14.05     | 14.05     | 14.05     | -         |
| Interest received                           | 0.03     | -         | -         | -         | -         |
| Common Corporate Charges (Inc. Service Tax) | 98.16    | 111.97    | 102.25    | 92.14     | -         |
| Interest Paid                               | 71.50    | 286.17    | 216.44    | 463.91    | 586.19    |
| Loan Given including opening balance        |          |           | 687.00    | -         | -         |
| Loan Received Back                          |          |           | 687.00    |           |           |
| Closing Balance of Loan                     |          |           | -         |           |           |
| Loan taken including opening balance        | 7,254.57 | 66,425.50 | 97,357.61 | 94,665.98 | 46,000.71 |
| Loan Repayment                              | 5,754.57 | 63,870.93 | 96,011.11 | 94,665.98 | 39,427.05 |
| Closing Balance of Loan                     | 1,500.00 | 2,554.57  | 1,346.50  | -         | 6,573.67  |

### 3 Leases

The Company has leased facilities under cancellable operating leases arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. Details as follows:

(₹ In Lakh)

| Particulars  | 31st March 2016 | 31st March 2015 | 31st March 2014 | 31st March 2013 | 31st March 2011 |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Lease rental | 78.21           | 46.09           | 13.39           | 31.87           | 16.96           |

4 In the opinion of the Board, Current Assets, Loan & Advances have a value in the ordinary course of business at least equal to that stated in the Balance Sheet.

- 5 Balances of Sundry Debtors and Sundry Creditors are subject to reconciliation and confirmation.
- 6 The Liability in respect of External Commercial Borrowing (ECB) & foreign exchange loss has been provided in books of account for the year ended 31, March, 2016, 2015, 2014, 2013 & 2012.

| Particulars                             | 31st March 2016 | 31st March 2015 | 31st March 2014 | 31st March 2013 | 31st March 2011 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| External Commercial Borrowing Liability | 10,414.17       | 9,982.67        | 9,044.71        | 8,476.61        | 8,742.52        |
| Foreign Exchange Gain/(Loss)            | 110.74          | - 431.49        | - 937.96        | - 568.11        | 265.91          |

- 7 Sundry creditors include amount of ₹Nil owed to Small Scale Industries Undertakings, to the extent such enterprises have been identified, out of which amount outstanding for a period of more than 30 days is ₹Nil. The Company has not made any delays in settlement of balance due to Small Scale Industrial undertakings and hence no provision for interest on delayed payment is required. Further, there are no outstanding amount payable beyond the agreed period to Micro, Small and Medium Enterprises for the year ended 31st March 2012, 2013, 2014, 2015 and 2016, to the extent such enterprises have been identified, based on the information available with the Company.

#### 8 Employee Benefits

The summarized position of Post-employment benefits and long term employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard (AS) 15 are as under:-

(₹ In Lakh)

| PARTICULARS   | Leave (Unfunded)      |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| <b>(a) Changes in the present value of obligations:</b> |                       |                       |                       |                       |                       |
| Present value obligation as at beginning of the year    | 54.43                 | 50.95                 | 47.59                 | 44.42                 | 36.04                 |
| Interest cost   | 4.08                  | 3.55                  | 4.00                  | 3.31                  | 3.02                  |
| Current service cost                                    | 30.54                 | 27.46                 | 25.40                 | 14.56                 | 24.54                 |
| Benefits Paid   | (7.01)                | (11.88)               | (7.34)                | (8.18)                | (3.07)                |
| Actuarial (gain)/ loss on obligations                   | (19.16)               | (15.65)               | (18.70)               | (6.52)                | (16.11)               |
| Present value obligation as at end of the year          | 62.88                 | 54.43                 | 50.95                 | 47.59                 | 44.42                 |
| <b>(b) Change in Fair Value of Plan Asset:</b>          |                       |                       |                       |                       |                       |
| Fair value of Plan Assets as at beginning of the year   |                       |                       |                       |                       |                       |

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
|   | -       | -       | -       | -       | -       |
| Expected Return on Plan Assets                              | -       | -       | -       | -       | -       |
| Contributions   | -       | -       | -       | -       | -       |
| Fair value of Plan Assets as at end of the year             | -       | -       | -       | -       | -       |
| Funded Status   | -       | -       | -       | -       | -       |
| <b>(c) Amount recognized in Balance Sheet:</b>              |         |         |         |         |         |
| Present value of funded obligation as at end of the year    | -       | -       | -       | -       | -       |
| Fair value of Plan Assets as at end of the year             | -       | -       | -       | -       | -       |
| Funded Status   | -       | -       | -       | -       | -       |
| Present value of unfunded obligation as at end of the year  | 62.88   | 54.43   | 50.95   | 47.59   | 44.42   |
| Unfunded Actuarial (gains)/ losses                          | -       | -       | -       | -       | -       |
| Unfunded Net Asset/ (Liability) recognised in Balance Sheet | (62.88) | (54.43) | (50.95) | (47.59) | (44.42) |
| <b>(d) Expenses Recognized in Profit &amp; Loss</b>         |         |         |         |         |         |
| Current service cost  | 30.54   | 27.46   | 25.41   | 14.56   | 24.54   |
| Past Service cost   | -       | -       | -       | -       | -       |
| Interest cost   | 4.08    | 3.56    | 4       | 3.31    | 3.02    |
| Expected Return on Plan Assets                              | -       | -       | -       | -       | -       |
| Net Actuarial (gain)/ loss recognised during the year       | (19.16) | (15.65) | (18.70) | (6.52)  | (16.11) |
| Total Expenses recognised in Profit & Loss Account          | 15.46   | 15.37   | 10.71   | 11.35   | 11.45   |
| <b>(e) Investment details of Fund:</b>                      |         |         |         |         |         |
| Central Govt. Securities                                    | -       | -       | -       | -       | -       |
| Investment in PSU   | -       | -       | -       | -       | -       |
| Other Investments   | -       | -       | -       | -       | -       |

|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Bank Balance   | -                     | -                     | -                     | -                     | -                     |
| <b>Total</b>   | -                     | -                     | -                     | -                     | -                     |
| <b>(f) Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average)</b> |                       |                       |                       |                       |                       |
| Discount Rate (per annum)  | 8.00%                 | 7.90%                 | 9.10%                 | 8.20%                 | 8.75%                 |
| Rate of increase in compensation levels (per annum)  | 6.00%                 | 6.00%                 | 6.50%                 | 6.50%                 | 6.00%                 |
| Rate of return on plan assets (per annum)  | NA                    | NA                    | NA                    | NA                    | NA                    |
| Expected Average remaining working lives of employees (years)  | 21.44                 | 21.66                 | 21.33                 | 22.08                 | 22.52                 |
| Method Used  | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employee market.

(₹ In Lakh)

| PARTICULARS   | Gratuity (Funded)     |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
| <b>(a) Changes in the present value of obligations:</b> |                       |                       |                       |                       |                       |
| Present value obligation as at beginning of the year    | 416.11                | 335.14                | 306.62                | 244.22                | 224.21                |
| Interest cost   | 32.4                  | 25.15                 | 27.00                 | 19.33                 | 19.05                 |
| Current service cost                                    | 46.73                 | 40.48                 | 32.05                 | 32.18                 | 25.30                 |
| Benefits Paid   | (22.23)               | (33.57)               | (19.86)               | (16.86)               | (12.88)               |
| Actuarial (gain)/ loss on obligations                   | 14.71                 | 48.91                 | (10.67)               | 27.74                 | (11.46)               |
| Present value obligation as at end of the year          | 487.72                | 416.11                | 335.14                | 306.61                | 244.22                |
| <b>(b) Chan Fair Value of Plan Asset:</b>               |                       |                       |                       |                       |                       |
| Fair value of Plan Assets as at beginning of the year   | 372.5                 | 327.45                | 264.34                | 225.75                | 184.43                |
| Expected/Actual Return on Plan Assets                   | 31.03                 | 35.98                 | 20.83                 | 20.12                 | 15.45                 |
| Contributions   | 43.61                 | 9.07                  | 42.28                 | 18.47                 | 25.87                 |
| Fair value of Plan Assets as at end of the year         | 447.14                | 372.50                | 327.45                | 264.34                | 225.75                |
| Funded Status   | (40.58)               | (43.61)               | (7.69)                | (42.27)               | (18.47)               |
| <b>(c) Amount recognized in Balance Sheet:</b>          |                       |                       |                       |                       |                       |

|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Present value of funded obligation as at end of the year   | 487.72                | 416.11                | 335.15                | 306.3                 | 244.22                |
| Fair value of Plan Assets as at end of the year  | 447.14                | 372.5                 | 327.45                | 264.84                | 225.75                |
| Funded Status  | (40.58)               | (43.61)               | (7.69)                | (42.27)               | (18.47)               |
| Present value of unfunded obligation as at end of the year   | -                     | -                     | -                     | -                     | -                     |
| Unfunded Actuarial (gains)/ losses   | -                     | -                     | -                     | -                     | -                     |
| Unfunded Net Asset/ (Liability) recognised in Balance Sheet  | (40.58)               | (43.61)               | (7.69)                | (42.27)               | (18.47)               |
| <b>(d) Expenses Recognized in Profit &amp; Loss</b>  |                       |                       |                       |                       |                       |
| Current service cost   | 46.73                 | 40.48                 | 32.05                 | 32.18                 | 25.3                  |
| Past Service cost  | -                     | -                     | -                     | -                     | -                     |
| Interest cost  | 32.4                  | 25.15                 | 27                    | 19.33                 | 19.05                 |
| Expected Return on Plan Assets   | (32.92)               | (32.23)               | (21.87)               | (19.34)               | (11.84)               |
| Net Actuarial (gain)/ loss recognised during the year  | 16.53                 | 45.15                 | (9.63)                | 26.96                 | (15.07)               |
| <b>Total Expenses recognised in Profit &amp; Loss Account</b>  | <b>62.74</b>          | <b>78.55</b>          | <b>27.55</b>          | <b>59.14</b>          | <b>17.44</b>          |
| <b>(e) Investment details of Fund:</b>   |                       |                       |                       |                       |                       |
| Central Govt. Securities   | 207.99                | 184.94                | 168.72                | -                     | -                     |
| Investment in PSU  | 60.91                 | 30.70                 | 20.13                 | -                     | -                     |
| Other Investments  | 37.29                 | 25.31                 | 12.50                 | -                     | -                     |
| Bank Balance   | 140.95                | 131.55                | 126.10                | 264.84                | -                     |
| <b>Total</b>   | <b>447.14</b>         | <b>372.50</b>         | <b>327.45</b>         | <b>264.84</b>         | -                     |
| <b>(f) Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average)</b> |                       |                       |                       |                       |                       |
| Discount Rate (per annum)  | 8.00%                 | 7.90%                 | 9.10%                 | 8.20%                 | 8.75%                 |
| Rate of increase in compensation levels (per annum)  | 6.00%                 | 6.00%                 | 6.00%                 | 6.00%                 | 6.00%                 |
| Rate of return on plan assets (per annum)  | 8.35%                 | 9.26%                 | 7.66%                 | 8.23%                 | 6.00%                 |
| Expected Average remaining working lives of employees (years)  | 21.44                 | 21.66                 | 21.33                 | 22.08                 | 22.54                 |
| Method Used  | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and

demand in employee market.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employee market.

(₹ In Lakh)

| PARTICULARS  | As at 31st<br>March<br>2016 | As at 31st<br>March 2015 | As at 31st<br>March<br>2014 | As at 31st<br>March 2013 | As at 31st<br>March 2012 |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| <b>(g) Other short term employee's benefits (Un-Funded):</b> |                             |                          |                             |                          |                          |
| <b>Short term Leave</b>                                      |                             |                          |                             |                          |                          |
| Opening Liability  | 18.61                       | 14.25                    | 11.01                       | 7.98                     | 7.16                     |
| Closing Liability  | 21.56                       | 18.61                    | 14.25                       | 11.01                    | 7.98                     |
| Benefits Paid during the period                              | -                           | -                        | -                           | -                        | 1.98                     |
| Amount debited to P&L Account                                | 2.95                        | 4.36                     | 3.24                        | 3.03                     | 2.8                      |
| <b>Leave Travel Encashment</b>                               |                             |                          |                             |                          |                          |
| Opening Liability  | 11.91                       | 9                        | 8.9                         | 6.2                      | 5.23                     |
| Closing Liability  | 13.8                        | 11.91                    | 9                           | 8.9                      | 6.2                      |
| Benefits Paid during the period                              | 7.36                        | 5.9                      | 5.36                        | 5.43                     | 4.03                     |
| Amount debited to P&L Account                                | 9.25                        | 8.81                     | 5.46                        | 8.13                     | 5                        |
| <b>Ex-Gratia</b>   |                             |                          |                             |                          |                          |
| Opening Liability  | 23.25                       | 18.19                    | 13.26                       | 10.63                    | 8.77                     |
| Closing Liability  | 7.02                        | 23.25                    | 18.19                       | 13.26                    | 10.63                    |
| Benefits Paid during the period                              | 23.38                       | 18.19                    | 25.66                       | 22.52                    | 8.77                     |
| Amount debited to P&L Account                                | 7.15                        | 23.25                    | 30.59                       | 25.15                    | 10.63                    |

(h) During the Financial Year ended 31, March, 2016, 2015, 2014, 2013 & 2012, the Company has recognized an expense in respect of Contribution to Provident Fund and Contribution to Superannuation Scheme.

(₹ In Lakh)

| Particulars        | As at 31st<br>March<br>2016 | As at 31st<br>March 2015 | As at 31st<br>March<br>2014 | As at 31st<br>March 2013 | As at 31st<br>March 2012 |
|--------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Contribution to PF | 149.38                      | 120.97                   | 89.39                       | 82.01                    | 80.68                    |
| Superannuation     | 8.34                        | 6.70                     | 5.30                        | 5.66                     | 5.95                     |

## 9 Segment Reporting

The Company operates only in one business segment viz. “Steel” which is the reportable segment in accordance with the requirements of Accounting Standard (AS-17) on Segment Reporting.

10 No asset qualifies for impairment for the year ended 31, March, 2016, 2015, 2014, 2013 & 2012

11 During the year 2014-15, depreciation calculations had undergone a change w.e.f. 1<sup>st</sup> April 2014 in accordance with the provisions of Schedule-II of the Companies Act, 2013 as against Schedule XIV to the Companies Act, 1956.

In view of that change, carrying amounts of various tangible fixed assets as at 1<sup>st</sup> April, 2014 after retaining the residual value, an amount of ₹89.77 lakhs had been recognized in the opening balance of retained earnings (net of deferred tax) where the useful life of an asset was Nil. In other cases, the carrying amounts as at 1<sup>st</sup> April, 2014 is being depreciated over the revised remaining useful life of the asset as per Schedule-II. The depreciation for the year ended 31st March, 2015 would have been higher by ₹ 154.62 Lakhs respectively, had the Company continued with the previously prescribed depreciation rates as per Schedule XIV of Companies Act, 1956.

12 The Company uses forward contracts to hedge its risk associated with fluctuation in foreign currency relating to foreign currency assets and liabilities, firm commitment and highly probable forecast transactions. The use of the aforesaid financial instruments is governed by the Company’s overall strategy. The Company does not use forward contracts and options for speculative purposes. The detail of the outstanding forward contracts for the year ended 31, March, 2016, 2015, 2014, 2013 & 2012 is as under:

| PARTICULARS   | As at 31st March 2016 |                                   | As at 31st March 2015 |                                   | As at 31st March 2014 |                                   | As at 31st March 2013 |                                   | As at 31st March 2012 |                                   |
|---|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
|   | No. Of Contracts      | Amount in Foreign Currency (Lakh) | No. Of Contracts      | Amount in Foreign Currency (Lakh) | No. Of Contracts      | Amount in Foreign Currency (Lakh) | No. Of Contracts      | Amount in Foreign Currency (Lakh) | No. Of Contracts      | Amount in Foreign Currency (Lakh) |
| <b>(a) Category wise quantitative data</b>            |                       |                                   |                       |                                   |                       |                                   |                       |                                   |                       |                                   |
| Forward contracts against imports (USD)               | 43.00                 | 83.04                             | 44.00                 | 99.63                             | 28.00                 | 81.00                             | -                     | -                                 | -                     | -                                 |
| Put and call options against imports (USD)            | 2.00                  | 2.66                              | 1.00                  | 4.00                              | -                     | -                                 | -                     | -                                 | -                     | -                                 |
| Forward contracts against foreign currency loan (USD) | 12.00                 | 142.86                            | 18.00                 | 99.61                             | -                     | -                                 | -                     | -                                 | -                     | -                                 |
| Forward contracts against imports                     | -                     | -                                 | 1.00                  | 59.16                             | 3.00                  | 59.53                             | -                     | -                                 | -                     | -                                 |

|   |       |       |       |        |       |        |   |   |   |   |
|---|-------|-------|-------|--------|-------|--------|---|---|---|---|
| (SEK)   |       |       |       |        |       |        |   |   |   |   |
| Forward contracts against imports (EURO)  | 1.00  | 0.12  | -     | -      | 1.00  | 0.58   | - | - | - | - |
| Forward contracts against exports (EURO)  | -     | -     | 8.00  | 4.27   | 6.00  | 4.72   | - | - | - | - |
| Forward contracts against exports (USD)   | 39.00 | 54.28 | 17.00 | 18.61  | 31.00 | 35.46  | - | - | - | - |
| <b>(b) Details of foreign currency exposure that has not been hedged by a derivative instrument or otherwise is given below :</b> |       |       |       |        |       |        |   |   |   |   |
| Against Creditors (USD)   | -     | 1.14  | -     | -      | -     | -      | - | - | - | - |
| Against Creditors (CHF)   | -     | -     | -     | 0.02   | -     | -      | - | - | - | - |
| Against Creditors (EURO)  | -     | 0.73  | -     | 0.26   | -     | 0.18   | - | - | - | - |
| Against Creditors (GBP)   | -     | 0.01  | -     | -      | -     | -      | - | - | - | - |
| Against foreign currency loan (USD)   | -     | 26.70 | -     | 175.57 | -     | 282.97 | - | - | - | - |
| Against foreign currency loan (EURO)  | -     | 5.22  | -     | -      | -     | -      | - | - | - | - |

### 13 CIF Value of Imports

(₹ In Lakh)

| PARTICULARS              | As at 31st March 2016 | As at 31st March 2015 | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Components & Spare Parts | 743.22                | 703.5                 | 509.85                | 640.26                | 407.67                |
| Capital Goods            | 1,113.56              | 581.63                | 3,043.97              | 6,467.26              | 158.14                |
| Raw Material             | 9,878.56              | 11,877.02             | 7,607.35              | 8,958.12              | 7,203.20              |
| <b>Total</b>             | <b>11,735.34</b>      | <b>13,162.15</b>      | <b>11,161.17</b>      | <b>16,065.64</b>      | <b>7,769.01</b>       |

**14 Expenditure in Foreign Currency**

(₹ In Lakh)

| <b>PARTICULARS</b>           | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Traveling out of India       | 39.22                        | 11.98                        | 21.39                        | 20.48                        | 20.45                        |
| Technical Know how           | 26.35                        | -                            | -                            | 5.32                         | 34.64                        |
| Membership Fess              | -                            | -                            | -                            | -                            | 1.33                         |
| Processing fees to Bank      | -                            | -                            | -                            | -                            | 162.74                       |
| Interest on ECB/Buyer Credit | 576.91                       | 509.80                       | 471.19                       | 435.00                       | -                            |
| <b>Total</b>                 | <b>642.48</b>                | <b>521.78</b>                | <b>492.58</b>                | <b>460.80</b>                | <b>219.16</b>                |

**15 FOB Value of Exports**

(₹ In Lakh)

| <b>PARTICULARS</b>   | <b>As at 31st March 2016</b> | <b>As at 31st March 2015</b> | <b>As at 31st March 2014</b> | <b>As at 31st March 2013</b> | <b>As at 31st March 2012</b> |
|----------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| FOB Value of Exports | 3,935.19                     | 2,864.36                     | 2,729.13                     | 2,476.43                     | 958.45                       |
| <b>Total</b>         | <b>3,935.19</b>              | <b>2,864.36</b>              | <b>2,729.13</b>              | <b>2,476.43</b>              | <b>958.45</b>                |

**16 Value of Raw Materials, Components and Spare Parts Consumed**

(₹ In Lakh)

| PARTICULARS                            | As at 31st March 2016 |               | As at 31st March 2015 |               | As at 31st March 2014 |               | As at 31st March 2013 |               | As at 31st March 2012 |               |
|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|  | Amount                | %             | Amount                | %             | Amount                | %             | Amount                | %             | Amount                | %             |
| <b>1. Raw Material</b>                 |                       |               |                       |               |                       |               |                       |               |                       |               |
| Imported                               | 11,110.79             | 37.09         | 11,452.34             | 27.14         | 7,936.90              | 25.91         | 7,990.24              | 28.49         | 9,948.60              | 32.54         |
| Indigenous                             | 18,842.00             | 62.91         | 30,749.29             | 72.86         | 22,696.05             | 74.09         | 20,054.34             | 71.51         | 20,624.43             | 67.46         |
| <b>Total</b>                           | <b>29,952.79</b>      | <b>100.00</b> | <b>42,201.63</b>      | <b>100.00</b> | <b>30,632.95</b>      | <b>100.00</b> | <b>28,044.58</b>      | <b>100.00</b> | <b>30,573.03</b>      | <b>100.00</b> |
| <b>2. Components &amp; Spare Parts</b> |                       |               |                       |               |                       |               |                       |               |                       |               |
| Imported                               | 1,175.12              | 15.70         | 449.54                | 5.32          | 548.60                | 13.38         | 401.93                | 11.22         | 418.73                | 7.67          |
| Indigenous                             | 6,308.20              | 84.30         | 7,995.28              | 94.68         | 3,550.45              | 86.62         | 3,179.79              | 88.78         | 5,038.60              | 92.33         |
| <b>Total</b>                           | <b>7,483.32</b>       | <b>100.00</b> | <b>8,444.82</b>       | <b>100.00</b> | <b>4,099.05</b>       | <b>100.00</b> | <b>3,581.72</b>       | <b>100.00</b> | <b>5,457.33</b>       | <b>100.00</b> |

**ANNEXURE XXVII - STATEMENT OF CAPITALISATION**

The statement on capitalization is as set out below:

**Statement of Capitalization as on September 30, 2016 of the Company**

(₹ In Lakhs)

| Particulars   | Pre Issue                  | Post Issue               |
|---|----------------------------|--------------------------|
|   | (as at September 30, 2016) |                          |
|   | Un-audited As per Ind AS   | Un-audited As per Ind AS |
|   | Unadjusted                 | Adjusted for the issue   |
| <b>Borrowings (₹ in lakh)</b>                         |                            |                          |
| Short- term   | 14,398.43                  | [●]                      |
| Long- term (including current maturities) (A)         | 20,327.16                  | [●]                      |
| <b>Total Borrowings (B)</b>                           | <b>34,725.59</b>           | [●]                      |
| <b>Shareholder's fund</b>                             |                            |                          |
| Share capital   | 1,855.54                   | [●]                      |
| Reserve and surplus                                   | 17,133.89                  | [●]                      |
| <b>Total Shareholder's fund (C)</b>                   | <b>18,989.42</b>           | [●]                      |
| <b>Long- term borrowings / equity ratio {(A)/(C)}</b> | <b>1.07</b>                | [●]                      |
| <b>Total borrowings / equity ratio {(B)/(C)}</b>      | <b>1.83</b>                | [●]                      |

**ANNEXURE XXVIII - SUMMARY OF ACCOUNTING RATIOS**

The following table presents the accounting and other ratios based on the audited financial statements of the Company as at March 31, 2016 and March 31, 2015 and the limited reviewed unaudited financial statement for the period ended September 30, 2016

| Particulars  | Half Year Ended September 30, 2016 | Year Ended March 31, 2016 | Year Ended March 31, 2015 |
|--|------------------------------------|---------------------------|---------------------------|
|  | Un-audited As per Ind AS           | Audited As per IGAPP      | Audited As per IGAPP      |
| Earnings Per Share (₹)   |                                    |                           |                           |
| (a) Basic Earnings Per Share (after extraordinary items)<br>Par value of ₹10 per share       | 3.45                               | 2.64                      | (7.97)                    |
| (b) Diluted Earnings Per Share (after extraordinary items)<br>Par value of ₹10 per share     | 3.45                               | 2.64                      | (7.97)                    |
| Return on Net Worth (after extraordinary items and excluding revaluation reserves)           | 3.37%                              | 2.80%                     | (8.69)%                   |
| Net Asset Value Per Share (after extraordinary items and excluding revaluation reserves) (₹) | 102.34                             | 94.28                     | 91.64                     |

**The ratios have been computed as under:**

|                                  |  |
|----------------------------------|--|
| <b>Basic Earnings Per Share</b>  | Net Profit After Tax/Number of Equity Shares                                       |
| <b>Return on Net Worth (%)</b>   | Net Profit after tax/*Average Shareholder's Funds                                  |
| <b>Net Asset Value Per Share</b> | Shareholder's Funds/Number of Equity Shares (outstanding at the end of the period) |

Earnings per share (EPS) calculation is in accordance with Accounting Standard 20 'Earnings per Share'

Note:

\*Average Shareholder's Funds: (Corresponding Opening Shareholder's Funds + Corresponding Closing Shareholder's Funds)/2

**Annexure XXIX -  
Statement of Tax Shelter**

(₹ In Lakhs)

| PARTICULARS   | As at 31st<br>March 2016 | As at 31st<br>March 2015 | As at 31st<br>March 2014 | As at 31st<br>March 2013 | As at 31st<br>March 2012 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>I Profit &amp; (Loss)<br/>before tax, as<br/>restated</b>  | 490.25                   | (1,477.17)               | (1,569.64)               | 679.16                   | 4,432.10                 |
| <b>II Tax Rate</b>  | 0.00%                    | 0.00%                    | 0.00%                    | 32.45%                   | 32.45%                   |
| <b>III Tax thereon at above<br/>rates(III=I*II)</b>   | <b>0.00</b>              | <b>0.00</b>              | <b>0.00</b>              | <b>220.35</b>            | <b>1,437.99</b>          |
| <b>IV Permanent<br/>differences:</b>  |                          |                          |                          |                          |                          |
| Disallowance under<br>section 14A of the<br>Income Tax Act, 1961  | 1.55                     | 0.47                     | 2.66                     | 1.85                     | 0.10                     |
| Interest on Late<br>deposition of TDS   | 0.01                     | 0.11                     | 0.00                     | 0.00                     | 0.00                     |
| Penalty charged to the<br>statement of profit and<br>loss   | 1.72                     | 0.09                     | 0.00                     | 0.00                     | 0.00                     |
| Deduction under<br>section 80G of the<br>Income Tax Act, 1961   | 0.00                     | 0.00                     | 0.00                     | 0.00                     | (12.50)                  |
| Loss/(Profit) on sale<br>of fixed assets  | 113.10                   | (8.60)                   | (324.44)                 | (74.97)                  | (27.63)                  |
| Dividend Income<br>Exempt u/s 10( 34 )  | (6.28)                   | (2.34)                   | (22.57)                  | (8.33)                   | (3.62)                   |
| Tax Free Interest<br>Income   | 0.00                     | 0.00                     | 0.00                     | (13.15)                  | 0.00                     |
| Deduction u/s 32AC  | (548.20)                 | 0.00                     | (2,419.73)               | 0.00                     | 0.00                     |
| Disallowance u/s 43A  | 841.15                   | 753.12                   | 1,565.04                 | 133.19                   | 0.00                     |
| Disallowance u/s<br>36(1)(iii)  | 36.99                    | 16.89                    | 64.84                    | 150.14                   | 71.19                    |
| CSR Expenditure   | 0.96                     | 0.00                     | 0.00                     | 0.00                     | 25.04                    |
| Loss/(Profit) on sale<br>of investment  | (0.03)                   | (496.62)                 | (1,033.41)               | (198.88)                 | 0.00                     |
| <b>Total Permanent<br/>Differences</b>  | <b>440.98</b>            | <b>263.13</b>            | <b>(2,167.61)</b>        | <b>(10.15)</b>           | <b>52.58</b>             |
| <b>V Timing Differences:</b>  |                          |                          |                          |                          |                          |
| Difference between<br>book depreciation and<br>tax depreciation   | (2,066.04)               | (1,804.60)               | (2,785.09)               | 123.78                   | 52.97                    |
| Demerger expenses<br>written-off  | 0.00                     | (0.75)                   | (0.75)                   | (0.75)                   | (0.75)                   |
| <b>Differences on<br/>account of expenses<br/>disallowable under<br/>section 43B of<br/>Income Tax Act,<br/>1961:</b> |                          |                          |                          |                          |                          |
| Provision for Doubtful<br>Debts   | 40.00                    | 22.00                    | 0.00                     | 38.00                    | 0.00                     |
| <b>Total Timing<br/>Differences</b>   | <b>(1,900.84)</b>        | <b>(1,734.11)</b>        | <b>(2,520.55)</b>        | <b>526.40</b>            | <b>345.43</b>            |
| <b>VI Total Adjustments<br/>(IV+V)</b>  | <b>(1,459.86)</b>        | <b>(1,470.98)</b>        | <b>(4,688.17)</b>        | <b>516.25</b>            | <b>398.01</b>            |
| <b>VI Tax on Adjustments<br/>I (II*VI)</b>  | <b>0.00</b>              | <b>0.00</b>              | <b>0.00</b>              | <b>167.50</b>            | <b>129.13</b>            |

|           |  |             |             |                 |               |                 |
|-----------|--|-------------|-------------|-----------------|---------------|-----------------|
| <b>VI</b> | Interest u/s 234 A/B/C   | 0.00        | 0.00        | 0.00            | 2.44          | 0.40            |
| <b>II</b> | Deferred Tax   |             |             |                 |               |                 |
| <b>IX</b> | (credit)/charge for the period/year  | 0.00        | 0.00        | (375.97)        | (40.79)       | (23.64)         |
| <b>X</b>  | <b>Tax for the year/period (VII+VIII+IX)</b>   | 0.00        | 0.00        | (375.97)        | 349.50        | 1,543.89        |
| <b>XI</b> | <b>As per restated statement of profit and loss</b>  |             |             |                 |               |                 |
|           | Current Tax (Net of Wealth Tax)  | 0.00        | 0.00        | 0.00            | 390.00        | 1,564.39        |
|           | Deferred Tax   | 0.00        | 0.00        | (375.97)        | (40.79)       | (23.64)         |
|           | <b>Total tax expenses</b>  | <b>0.00</b> | <b>0.00</b> | <b>(375.97)</b> | <b>349.21</b> | <b>1,540.75</b> |
|           | Wealth Tax   | 0.00        | 0.85        | 1.07            | 1.17          | 1.43            |
|           | <b>Total tax expenses(Including Wealth Tax) as per restated statement of profit and loss</b> | <b>0.00</b> | <b>0.85</b> | <b>(374.90)</b> | <b>350.38</b> | <b>1,542.18</b> |

## **LIMITED REVIEW REPORT**

**To**  
**The Board of Directors**  
**Vardhman Special Steels Limited**

### **LIMITED REVIEW REPORT ON UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER, 2016 OF VARDHMAN SPECIAL STEELS LIMITED**

We have reviewed the accompanying statement of Un-audited Financial Results of Vardhman Special Steels Limited (**‘the Company’**) for the quarter and Half year ended September 30, 2016 being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016. This statement is the responsibility of the Company’s management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of un-audited financial results prepared in all material respects in accordance with applicable Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with circular number CIR/CFD/FAC/62/2016 dated July 5, 2016 of SEBI including the manner in which it is to be disclosed, or that it contains any material misstatement.

**For S.S. Kothari Mehta & Company**  
Chartered Accountants  
Firm Registration Number: 022150N

**Harish Gupta**  
Partner  
Membership Number: 098336

Place: Gurgaon  
Date: November 12, 2016

Vardhman Special Steels Limited  
 Registered Office: Vardhman Premises, Chandigarh Road, Ludhiana-141010, Punjab, India  
 CIN: L27100PB2010PLC033930, PAN: AACDV4812B  
 E-mail: [secretarial.lud@vardhman.com](mailto:secretarial.lud@vardhman.com), Website: [www.vardhmansteel.com](http://www.vardhmansteel.com)

**Unaudited financial results for the Quarter and Half Year ended 30<sup>th</sup> September, 2016** (₹ In Lakhs)

**PART I**

| Particulars   | Quarter ended 30 <sup>th</sup> September, 2016 | Quarter ended 30 <sup>th</sup> June, 2016 | Quarter ended 30 <sup>th</sup> September, 2015 | Half Year ended 30 <sup>th</sup> September, 2016 | Half Year ended 30 <sup>th</sup> September, 2015 |
|---|--|---|--|--|--|
| <b>Income</b>   |  |   |  |  |  |
| Income from Operations  | 19,139.49                                      | 17835.15                                  | 18581.64                                       | 36,974.64  | <b>36858.08</b>                                  |
| Other Operating Income  | <b>30.21</b>                                   | <b>32.00</b>                              | <b>51.00</b>                                   | 62.21  | <b>93.00</b>                                     |
| <b>Total Income from Operations (Net)</b>   | 19,169.70                                      | <b>17867.15</b>                           | <b>18632.64</b>                                | <b>37,036.85</b>                                 | <b>36,951.08</b>                                 |
| <b>Expenses</b>   |  |   |  |  |  |
| Cost of materials consumed  | 8,775.36                                       | <b>8769.00</b>                            | <b>8,330.54</b>                                | 17,544.36  | <b>16,663.84</b>                                 |
| Changes in inventories of finished goods, work in progress and stock-in-trade   | 111.55   | <b>(875.37)</b>                           | <b>952.74</b>                                  | (763.82)   | <b>2,944.76</b>                                  |
| Employee benefit expenses   | 1,049.15                                       | <b>883.00</b>                             | <b>849.10</b>                                  | 1,932.15   | <b>1,572.37</b>                                  |
| Depreciation and Amortisation Expense   | 450.00   | <b>449.00</b>                             | <b>413.95</b>                                  | 899.00   | <b>832.00</b>                                    |
| Power & Fuel  | 2,575.08                                       | <b>2,824.00</b>                           | <b>2,684.25</b>                                | 5,399.08   | <b>5,077.50</b>                                  |
| Excise Duty   | 2,216.76                                       | <b>1,661.10</b>                           | <b>1875.00</b>                                 | 3,877.86   | <b>3302.00</b>                                   |
| Other expenses  | 2,755.47                                       | <b>3,103.62</b>                           | <b>3,057.25</b>                                | 5,859.09   | <b>5,918.45</b>                                  |
| <b>Total expenses</b>   | <b>17,933.37</b>                               | <b>16,814.35</b>                          | <b>18,162.83</b>                               | <b>34,747.72</b>                                 | <b>36,310.92</b>                                 |
| <b>Profit/(Loss) from operations before other income, finance cost and exceptional items (1-2)</b>                                | <b>1,236.33</b>                                | <b>1,052.80</b>                           | <b>469.81</b>                                  | <b>2,289.13</b>                                  | <b>640.16</b>                                    |
| Other Income  | 76.39  | <b>30.72</b>                              | <b>78.21</b>                                   | 107.11   | <b>83.21</b>                                     |
| <b>Profit/(Loss) before finance cost and exceptional items (3+4)</b>  | <b>1,312.72</b>                                | <b>1,083.52</b>                           | <b>548.02</b>                                  | <b>2,396.24</b>                                  | <b>723.37</b>                                    |
| Finance cost  | <b>672.90</b>                                  | <b>651.00</b>                             | <b>508.37</b>                                  | 1,323.90   | <b>1,064.41</b>                                  |
| <b>Profit/(Loss) before Extraordinary Items and Tax (5-6)</b>   | <b>639.82</b>                                  | <b>432.52</b>                             | <b>39.65</b>                                   | <b>1,072.34</b>                                  | <b>(341.04)</b>                                  |
| Exceptional Items (refer note-2)  | -  | -   | -  | -  | -  |
| <b>Profit/(Loss) before Tax (7-8)</b>   | <b>639.82</b>                                  | <b>432.52</b>                             | <b>39.65</b>                                   | <b>1,072.34</b>                                  | <b>(341.04)</b>                                  |
| Tax Expense   |  |   |  |  |  |
| - Current Tax   | -  | -   | -  | -  | -  |
| - Deferred Tax  | -  | -   | -  | -  | -  |
| <b>Net Profit/(Loss) after Tax (9-10)</b>   | <b>639.82</b>                                  | <b>432.52</b>                             | <b>39.65</b>                                   | <b>1,072.34</b>                                  | <b>(341.04)</b>                                  |
| Extraordinary Items (Net of Expense)  | -  | -   | -  | -  | -  |
| <b>Net Profit/(Loss) for the period (11-12)</b>   | <b>639.82</b>                                  | <b>432.52</b>                             | <b>39.65</b>                                   | <b>1,072.34</b>                                  | <b>(341.04)</b>                                  |
| Other Comprehensive Income  | -  | -   | -  | -  | -  |
| <b>Total Comprehensive Income for the period (13+14) (Comprising profit/(loss) and other comprehensive income for the period)</b> | <b>639.82</b>                                  | <b>432.52</b>                             | <b>39.65</b>                                   | <b>1,072.34</b>                                  | <b>(341.04)</b>                                  |
| Earnings per share (calculated on   |  |   |  |  |  |

|   |      |             |             |      |               |
|---|------|-------------|-------------|------|---------------|
| Profit/(Loss) for the period (in ₹)<br>(not annualized) |      |             |             |      |               |
| (a) Basic   | 3.45 | <b>2.33</b> | <b>0.21</b> | 5.78 | <b>(1.84)</b> |
| (b) Diluted   | 3.45 | <b>2.33</b> | <b>0.21</b> | 5.78 | <b>(1.84)</b> |

**Statement of Assets & Liabilities as on September 30, 2016:**

| Particulars                               | Half Year ended<br>30 <sup>th</sup> September, 2016 | Half Year ended<br>30 <sup>th</sup> September, 2015 |
|---|---|---|
| <b>EQUITY AND LIABILITIES</b>             |   |   |
| <b>Shareholders' funds</b>                |   |   |
| (a) Equity Share capital                  | 1,855.54  | 1,855.54  |
| (b) Other Equity                          | 17,133.38   | 14,637.90   |
| <b>Non-current liabilities</b>            |   |   |
| (a) Financial Liabilities                 |   |   |
| (i) Borrowings                            | 14,944.60   | 12,117.00   |
| (b) Provisions                            | 63.81   | 63.52   |
| (c) Other non-current liabilities         | 10.55   | 16.12   |
| <b>Current liabilities</b>                |   |   |
| (a) Financial Liabilities                 |   |   |
| (i) Borrowings                            | 14,398.42   | 18,872.90   |
| (ii) Trade payables                       | 4,808.40  | 6,828.34  |
| (iii) Other financial liabilities         | 8,773.26  | 5,470.45  |
| (b) Other current liabilities             | 659.00  | 543.39  |
| (c) Provisions                            | 67.99   | 89.15   |
| <b>Total equity and liabilities</b>       | <b>62,714.95</b>                                    | <b>60,494.30</b>                                    |
| <b>ASSETS</b>                             |   |   |
| <b>Non-current assets</b>                 |   |   |
| (a) Property, Plant and Equipment         | 24,170.63   | 22,185.32   |
| (b) Capital work-in-progress              | 1,178.97  | 3,431.17  |
| (c) Other Intangible assets               | 30.00   | -   |
| (d) Other non-current assets              | 1,838.70  | 997.29  |
| <b>Current assets</b>                     |   |   |
| (a) Inventories                           | 11,182.26   | 9,387.81  |
| (b) Financial Assets                      |   |   |
| (i) Investments                           | 2,002.40  | 2,812.47  |
| (ii) Trade receivables                    | 18,164.30   | 18,967.30   |
| (iii) Cash and cash equivalents           | 1,779.49  | 970.72  |
| (iv) Bank balances other than (iii) above | 0.52  | 2.52  |
| (v) Loans                                 | 145.84  | 1,629.63  |
| (vi) Others (to be specified)             | -   | -   |
| (c) Other current assets                  | 2,221.84  | 110.07  |
| <b>TOTAL ASSETS</b>                       | <b>62,714.95</b>                                    | <b>60,494.30</b>                                    |

**PART II**

| A  | PARTICULARS OF SHAREHOLDING  | Quarter ended 30 <sup>th</sup> September, 2016 | Quarter ended 30 <sup>th</sup> June, 2016 | Quarter ended 30 <sup>th</sup> March, 2016 | Quarter ended 30 <sup>th</sup> December, 2015 | Quarter ended 30 <sup>th</sup> September, 2015 |
|--|--|--|---|--|---|--|
| 1  | Public shareholding  |  |   |  |   |  |
|  | • No of shares   | 46,43,967                                      | 46,43,967                                 | 46,43,967                                  | 46,43,967                                     | 46,43,967                                      |
|  | • Percentage of shareholding   | 25.03%   | 25.03%                                    | 25.03%                                     | 25.03%  | 25.03%   |
| 2  | Promoters and Promoter Group Shareholding  |  |   |  |   |  |
|  | a) Pledged / Encumbered  |  |   |  |   |  |
|  | Number of shares   | NIL  | NIL                                       | NIL  | NIL   | NIL  |
|  | Percentage of shares (as a % of the total shareholding of promoter and promoter group) | NIL  | NIL                                       | NIL  | NIL   | NIL  |
|  | Percentage of shares (as a % of the total share capital of the company)                | NIL  | NIL                                       | NIL  | NIL   | NIL  |
|  | b) Non-encumbered  |  |   |  |   |  |
|  | Number of shares   | 1,39,11,409                                    | 1,39,11,409                               | 1,39,11,409                                | 1,39,11,409                                   | 1,39,11,409                                    |
|  | Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 100.00%  | 100.00%                                   | 100.00%                                    | 100.00%                                       | 100.00%  |
|  | Percentage of shares (as a % of the total share capital of the company)                | 74.97%   | 74.97%                                    | 74.97%                                     | 74.97%  | 74.97%   |
|  | B  | <b>Particulars</b>                             | <b>Quarter Ended 30.09.2016</b>           |  |   |  |
| <b>INVESTOR COMPLAINTS</b>                     |  |  |   |  |   |  |
| Pending at the beginning of the quarter        |  | NIL  |   |  |   |  |
| Received during the quarter                    |  | NIL  |   |  |   |  |
| Disposed of during the quarter                 |  | NIL  |   |  |   |  |
| Remaining unresolved at the end of the quarter |  | NIL  |   |  |   |  |

**NOTES:**

- The Company operates only in one business segment viz. "Steel" which is the reportable segment in accordance with the requirements of Indian Accounting Standard (Ind AS) - 108 on Operating Segments issued by the Institute of Chartered Accountants of India.
- The Company is eligible for incentives under the Mega Project Policy of the Punjab State Government for its expansion completed during financial year 2014-15. Though the plant had been commissioned but the benefits have not been considered in the above results as the same is pending for sanction by appropriate authority.
- The Company has adopted Indian Accounting Standards (Ind AS) from April 1, 2016 (transition date being April 1, 2015) and accordingly, these financials results have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 as prescribed under section 133 of The Companies Act, 2013

read with the relevant rules issued thereunder and the other accounting principles generally accepted in India.

4. The format for unaudited quarterly results as prescribed in SEBI circular CIR/CFD/CMD/15/2015 dated November 30, 2015 has been modified to comply with the requirements of SEBI's circular dated July 05, 2016 and schedule III (Division II) of the Companies Act, 2013 applicable to companies that are required to comply with Ind AS.
5. Reconciliation of profit as previous GAAP vis-a-vis Ind AS for half-year ended 30<sup>th</sup> September 2015:

|   | <b>(₹ In Lakhs)</b> |
|---|---------------------|
| Net Profit as per previous GAAP                                       | (479.40)            |
| <b><u>IndAS Adjustments</u></b>                                       |                     |
| Impact of measuring derivative financial instruments at fair value    | 134.87              |
| Impact of measuring Investments at fair value through profit and loss | (15.44)             |
| Other adjustments   |                     |
| Tax adjustment  | 18.58               |
| <b>Net Profit as per Ind AS</b>                                       | <b>(341.39)</b>     |

6. Figures for previous periods have been recast/regrouped, wherever necessary to make them comparable.
7. These results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meeting held on 12.11.2016. Limited Review of these results has been carried out by the Auditors. The Ind AS compliant Financial Result, pertaining to Half Year ended Sep'15 has not been subjected to limited review or audit. However, the management has exercised necessary due diligence to ensure that the financial result provide a true and fair view of its affairs.

Place: Gurgaon  
 Date: 12.11.2016

Sachit Jain  
 Managing Director

## WORKING RESULTS

In accordance with circular no. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977 and in accordance with sub-item (B) of item X of Part E of the SEBI Regulations, the information required to be disclosed for the period between the last date of financial statements provided to the shareholders and the date preceding one month from the date of Letter of Offer is provided below:

**1. Working Results of our Company for the period from April 01, 2016 to December 31, 2016 (Un-Audited)**

| Sr. No. | Particulars                      | Amount (in ₹ Lakhs) |
|---------|----------------------------------|---------------------|
| 1       | Sales / turnover (Gross)         | 56,189.28           |
| 2       | Excise Duty                      | 5,879.27            |
| 3       | Sales / turnover (Net of Excise) | 50,310.01           |
| 4       | Other income                     | 94.16               |
| 5       | Total income                     | 50,404.17           |
| 6       | PBIDT                            | 2,795.14            |
| 7       | Provision for Depreciation       | 1,354.50            |
| 8       | Provision for Tax(Deferred Tax)  | -                   |
| 9       | Profit /(Loss) after Tax         | 1,440.64            |

**2. Material changes and commitments, if any, affecting the financial position of our Company**

Except for the increase in Authorized Share Capital, Employee Stock Option Plan 2016 and capacity expansion of Steel Melting Shop, there have been no significant developments after March 31, 2016, the date of the latest financial statements disclosed in this Draft Letter of Offer. For more information, see "Capital Structure" on page 48. Further, to the best of our knowledge, no circumstances have arisen since March 31, 2016, which materially and adversely affect or are likely to affect, our operations or earnings, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion of our financial condition and results of operations together with our audited financial information for FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016 including the notes thereto and the reports thereon, which are included in this Draft Letter of Offer. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" on page 12 and page 11, respectively, of this Draft Letter of Offer which discuss a number of factors and contingencies that could impact our financial condition and results of operations.

### **Business Overview**

The Company is engaged in the manufacturing of Billet, Steel bars and rods and bright bars of various categories of Special and Alloy Steels. The high-grade hot rolled bars manufactured by the Company are being used for varied applications in Engineering, Automotive, Tractor, Bearing and Allied Industries. Our Company also caters to various automobile forging companies with end users ranging from passenger cars to tractors, two wheelers, commercial vehicles and off high way vehicles. The Company also supplies steel for bearing applications and also is successfully delivering steel for forging applications in International markets of Thailand, Taiwan, Turkey, Russia and Spain. About 4% of the total production of the Company is exported.

### **Significant developments subsequent to the date of the last financial statement as disclosed in this Draft Letter of Offer**

Except for the increase in Authorized Share Capital, Employee Stock Option Plan 2016 and capacity expansion of Steel Melting Shop, there have been no significant developments after March 31, 2016, the date of the latest financial statements disclosed in this Draft Letter of Offer. For more information, see "Capital Structure" on page 48. Further, to the best of our knowledge, no circumstances have arisen since March 31, 2016, which materially and adversely affect or are likely to affect, our operations or earnings, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

### **Factors that may affect results of the Operations**

The following important factors amongst others could cause actual results to differ materially from the expectations:

1. General economic and business conditions in the markets in which we operate;
2. Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans in the future;
3. Our ability to maintain our relationships with our customers and leverage such relationships in the future;
4. Increasing competition in or other factors affecting the industry;
5. Our ability to manage our raw material costs and sell our products at competitive prices in light of downward pricing pressure from our customers;
6. Our ability to attract and retain qualified personnel;
7. Any adverse outcome in the legal proceedings in which we are involved;
8. Changes in laws and regulations relating to the industry in which we operate;
9. Changes in political, economic, social conditions in India, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
10. Changes in the value of the Rupee and other currency changes;
11. Changes in the foreign exchange control regulations in India;
12. Changes in government policies and regulatory actions that apply to or affect our business;
13. The performance of the financial markets in India and globally; and
14. The occurrence of natural disaster or calamities.

For more information on these and other factors/development which have or may affect us, please refer to section titled "Risk Factors", and sections titled "Industry Overview" and "Our Business" beginning on page 12, 85 and 88, respectively of this Draft Letter of Offer.

## Results of Operations

The table below sets out our restated summary results of operations for the Fiscals 2016, 2015 and 2014, each item of which is also expressed as a percentage of the revenues from operations for such periods:

| Particulars   | Restated               |                       |                        |                       |                        |                       |
|---|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
|   | March 31, 2016         |                       | March 31, 2015         |                       | March 31, 2014         |                       |
|   | Amount (₹<br>In Lakhs) | % of total<br>revenue | Amount (₹<br>In Lakhs) | % of total<br>revenue | Amount (₹<br>In Lakhs) | % of total<br>revenue |
| <b>INCOME</b>   |                        |                       |                        |                       |                        |                       |
| Revenue from operations (Gross)   | 72,932.88              |                       | 73,418.13              |                       | 40,865.50              |                       |
| Less: Excise Duty   | 7,277.29               |                       | 7,258.15               |                       | 3,805.92               |                       |
| Revenue from operations (Net)   | 65,655.59              | 99.68                 | 66,159.98              | 98.82                 | 37,059.58              | 63.97                 |
| Cost of Material Transfer To Trial Run (Rolling Mill)                         | -                      | -                     | -                      | -                     | 19,336.52              | 33.38                 |
| Other Income  | 209.18                 | 0.32                  | 789.31                 | 1.18                  | 1,540.96               | 2.66                  |
| <b>Total Revenue</b>  | <b>65,864.77</b>       | <b>100.00</b>         | <b>66,949.29</b>       | <b>100.00</b>         | <b>57,937.06</b>       | <b>100.00</b>         |
| <b>EXPENSES</b>   |                        |                       |                        |                       |                        |                       |
| Cost of materials consumed  | 32,508.39              | 49.36                 | 40,885.04              | 61.07                 | 30,634.66              | 52.88                 |
| Purchase of stock-in-trade  | -                      | -                     | -                      | -                     | -                      | -                     |
| Changes in inventories of finished goods, work in progress and stock-in-trade | 2,711.20               | 4.12                  | (156.93)               | (0.23)                | 7,018.76               | 12.11                 |
| Employee benefit expenses   | 3,383.58               | 5.14                  | 2,833.45               | 4.23                  | 2,126.40               | 3.67                  |
| Other expenses  | 22,435.51              | 34.06                 | 20,929.83              | 31.26                 | 17,505.58              | 30.21                 |
| Excise Duty on closing stocks   | 279.76                 | 0.42                  | 526.36                 | 0.79                  | 461.13                 | 0.80                  |
| Finance Cost  | 2,352.97               | 3.57                  | 2,021.49               | 3.02                  | 1,189.72               | 2.05                  |
| Depreciation and amortisation expense   | 1,703.11               | 2.59                  | 1,387.22               | 2.07                  | 570.45                 | 0.98                  |
| <b>Total Expenses</b>   | <b>65,374.52</b>       | <b>99.26</b>          | <b>68,426.46</b>       | <b>102.21</b>         | <b>59,506.70</b>       | <b>102.71</b>         |
| <b>Profit before Exceptional Items, Extraordinary Items and Tax</b>           | <b>490.25</b>          | <b>0.74</b>           | <b>(1,477.17)</b>      | <b>(2.21)</b>         | <b>(1,569.64)</b>      | <b>(2.71)</b>         |
| Exceptional Items   | -                      | -                     | -                      | -                     | -                      | -                     |
| <b>Profit before Extraordinary Items and Tax</b>                              | <b>490.25</b>          | <b>0.74</b>           | <b>(1,477.17)</b>      | <b>(2.21)</b>         | <b>(1,569.64)</b>      | <b>(2.71)</b>         |
| Extraordinary Items   | -                      | -                     | -                      | -                     | -                      | -                     |
| <b>Profit before Tax</b>  | <b>490.25</b>          | <b>0.74</b>           | <b>(1,477.17)</b>      | <b>(2.21)</b>         | <b>(1,569.64)</b>      | <b>(2.71)</b>         |
| Tax Expense   | -                      | -                     | -                      | -                     | -                      | -                     |
| Current tax - Wealth tax  | -                      | -                     | 0.85                   | 0.00                  | 1.07                   | 0.00                  |
| Deferred tax  | -                      | -                     | -                      | -                     | (375.97)               | (0.65)                |
| <b>Profit for the year after Tax</b>  | <b>490.25</b>          | <b>0.74</b>           | <b>(1,478.02)</b>      | <b>(2.21)</b>         | <b>(1,194.74)</b>      | <b>(2.06)</b>         |

## **Total Income**

Our total revenue consists of revenue from operations and other income.

### *Revenue from Operations*

Revenue from operations comprises revenues from the sale of products, consisting of sale of our own manufactured products: Steel Bars and other miscellaneous sales; and other operating income, including export incentives.

### *Other Income*

The key components of our other income are interest income, dividend income and profit on sale of Investments, and non-recurring income such as gain on sale of fixed assets, provision no longer required written back, sundry balances written back, prior period income and other miscellaneous income.

## **Expenses**

Our expenditure consists of the following:

*Cost of material Consumed:* Our cost of materials consumed consists primarily of purchase of raw material scrap & ferro alloys.

*Changes in inventories of finished goods, work in progress and stock-in-trade:* Our changes in inventories of finished goods, work in progress and stock-in-trade, include changes in the opening stock and closing stock of our finished goods, which we manufacture.

*Employee benefit Expenses:* Employee benefit expense consists of salaries, wages and bonus, contributions to provident and other funds and staff welfare expenses.

*Other expenses:* Other expenses pertains to, amongst others, consumption of stores and spare parts, power & fuel, packing material, processing charges, rent, rates and taxes, repairs, insurance, payment to Auditors, provision for doubtful debts, miscellaneous exp. Etc.

*Finance Cost:* Finance Cost include interest expense (Net of Interest Received from Banks), other borrowing costs and bank charges.

*Depreciation and amortization expense:* Depreciation expense consists primarily of depreciation expenses recorded on various assets including buildings, plant and machinery, furniture and fixtures, vehicles and office equipments. Amortization expense consists primarily of amortization recorded on intangible assets including computer software.

*Tax expense:* Current Tax is the amount of income-tax determined to be payable in respect of taxable income for a period. Deferred Tax is the tax effect of all timing differences.

## **Fiscal 2016 compared with Fiscal 2015**

Our total income decreased marginally by 1.62% to ₹ 65,864.77 lakhs in Fiscal 2016 from ₹ 66,949.29 lakhs in Fiscal 2015, primarily due to decline in revenue from sale of our own manufactured products and decrease in other income.

### *Revenue from Operations*

Our revenue from sale of products decreased by 0.76% to ₹ 65,655.59 lakhs in Fiscal 2016 from ₹ 66,159.98 lakhs in Fiscal 2015.

Our Company had registered a growth of 45.55% y-o-y in export turnover during the year 2015-16.

The quantity sold and average rate of realization is as per details given below:

| Particulars     | Unit            | 2015-16 |           |                | 2014-15 |           |                |
|-----------------|-----------------|---------|-----------|----------------|---------|-----------|----------------|
|                 |                 | Qty     | Net Value | Avg. Rate / Kg | Qty     | Net Value | Avg. Rate / Kg |
| Rolled Products | MT/<br>₹ Crores | 121303  | 654.16    | 53.93          | 116401  | 658.88    | 56.60          |

#### Other Operating Revenue

Our other operating income (Export Incentives) increased by 35.49% to ₹ 152.99 lakhs in Fiscal 2016 from ₹112.92 lakhs in Fiscal 2015.

#### Other Income

Our other income decreased by 73.50% to ₹ 209.18 lakhs in Fiscal 2016 from ₹ 789.31 lakhs in Fiscal 2015.

The other income during the year ended March 31, 2016 and March 31, 2015 is as per the details given below:

| Particulars                               | (Amount in ₹ Lakhs) |         |
|---|---------------------|---------|
|   | 2015-16             | 2014-15 |
| Interest income                           | 91.39               | 106.93  |
| Dividend income from Current Investments  | 6.28                | 2.34    |
| Net Profit on sale of Investments *       | 36.23               | 523.02  |
| Interest income from current Investments  | 19.34               | 108.37  |
| Net gain on sale of fixed assets          | -                   | 8.49    |
| Provision no longer required written back | -                   | -       |
| Sundry Balances Written Back              | 35.64               | 21.72   |
| Prior Period Income                       | -                   | -       |
| Miscellaneous Income                      | 20.30               | 18.44   |

\* Net profit on sale of investments has decreased to ₹ 36.23 lakhs in Fiscal 2016 as against ₹ 523.02 lakhs in Fiscal 2015 mainly due to realization of FMP'S (Fixed Maturity Plan) income in 2014-15.

#### Expenses

Our expenses amounted to ₹ 65,374.52 lakhs in Fiscal 2016, reflecting a 4.46% decrease over our total expenditure of ₹ 68,426.46 lakhs in Fiscal 2015. This decrease in total expenditure was primarily due to the reduction of cost of materials consumed.

#### Cost of material Consumed

Our cost of materials consumed amounted to ₹ 32,508.39 lakhs in Fiscal 2016, reflecting a 20.49% decrease over our materials consumed expense of ₹ 40,885.04 lakhs in Fiscal 2015 due to decrease in prices of Iron Ore, Scrap and Ferro Alloys. As a percentage of our revenue from operations, our cost of materials consumed decreased from 61.07% in Fiscal 2015 to 49.36% in Fiscal 2016.

#### Changes in inventories of finished goods, work in progress and stock-in-trade

Our changes in inventories of finished goods, work in progress and stock-in-trade decreased from ₹ (156.93) lakhs in Fiscal 2015 to ₹ 2,711.20 lakhs in Fiscal 2016, mainly due to two reasons- (i) Higher sales due to liquidation of stocks (ii) decrease in valuation of stock due to fall in input prices.

#### Employee Benefit Expenses

Our employee benefits expenses amounting to ₹ 3,383.58 lakhs in Fiscal 2016, reflected a 19.42% increase over our employee benefits expenses of ₹ 2,833.45 lakhs in Fiscal 2015, which was primarily due to annual increments. As a percentage of our revenue from operations, our employee benefits expenses increased from 4.23% in Fiscal 2015 to 5.14% in Fiscal 2016.

### *Other expenses*

Our other expenses amounted to ₹ 22,435.51 lakhs in Fiscal 2016, reflecting an increase of 7.19% over other expenses of ₹ 20,929.83 lakhs in Fiscal 2015. This included, among others, increase in power & fuel, packing material and store & spare consumed which was mainly due to increase in billet production to 126394 MT during 2015-16 as against 122232 MT in 2014-15. During 2015-16, two shutdowns were planned - one in SMS (Steel Melt Shop) for 15 days for installation of Secondary fume extraction system and second in Rolling Mill for change of lining of the RHF (Re-Heating Furnace). During these shutdowns, number of maintenance activities were planned due to which the repair to machinery cost increased during 2015-16. Processing charges amounts to ₹ 292.47 lakhs during the year 2015-16 as against ₹ 606.44 lakhs for the year 2014-15, showing a decrease of 51.77% due to lesser job work from outside during the year. Rates and taxes (excluding taxes on income) amounted to ₹ 51.55 lakhs during the year 2015-16 as against ₹ 14.46 lakhs during the year 2014-15 showing an increase mainly due to ₹ 30 lakhs paid as welfare cess on the construction of building to PBIP (Punjab Bureau of Investment Promotion). Loss on forex fluctuation amounted to ₹ 873.22 lakhs, which mainly included ₹ 583.12 lakhs for forex fluctuation on External Commercial Borrowing (ECB). An increase in inland haulage & other charges was mainly due to increase in exports which include exports to USA on DDP (Delivered Duty Paid) basis, resulting in booking of expenses incurred for clearance and freight in USA.

### *Finance Cost*

Our finance expenses amounted to ₹ 2,352.97 lakhs in Fiscal 2016, reflecting a 16.40% increase over our finance expenses of ₹ 2,021.49 lakhs in Fiscal 2015, which was attributable primarily to higher borrowing cost of term/corporate loan as compared to buyer's credit and upfront fee paid on term loans and corporate loans.

### *Depreciation and amortisation expense*

Our depreciation and amortization expense increased to ₹ 1,703.11 lakhs in Fiscal 2016 from ₹ 1,387.22 lakhs in Fiscal 2015, reflecting an increase of 22.77%, which was primarily due to full year depreciation of new rolling Mill which was capitalized on 1<sup>st</sup> January, 2014.

### *Profit/ (Loss) before Exceptional Items, Extraordinary Items and Tax*

As a result of the factors outlined above, our profit before exceptional items, extraordinary items and tax increased to ₹ 490.25 lakhs in Fiscal 2016 from a loss of ₹ 1,477.17 lakhs in Fiscal 2015.

### *Exceptional Items, Extraordinary Items*

We did not have any exceptional items in Fiscal 2016 and Fiscal 2015.

### *Tax Expense (including deferred tax expense)*

Our company reported total tax expense in Fiscal 2015 of ₹ 0.85 Lakhs.

### *Profit/ (Loss) for the year after Tax*

As a result of the factors outlined above, our profit after tax increased to ₹ 490.25 lakhs in Fiscal 2016 from a loss of ₹ 1,478.02 lakhs in Fiscal 2015.

### **Fiscal 2015 compared with Fiscal 2014**

Our total income increased by 15.56% to ₹ 66,949.29 lakhs in Fiscal 2015 from ₹ 57,937.06 lakhs in Fiscal 2014, primarily due to increase in revenue from sale of our own manufactured products.

### *Revenue from Operations*

Our revenue from sale of products increased by 17.31% to ₹ 66,159.98 lakhs in Fiscal 2015 from ₹ 56,396.10 lakhs (including ₹ 19,336.52 lakhs during trial run sales) in Fiscal 2014.

Our Company had registered a growth of 7% y-o-y in export turnover during the year 2014-15.

The quantity sold and average rate of realization is as per details given below:

| Particulars     | Unit            | 2014-15 |           |                | 2013-14 |           |                |
|-----------------|-----------------|---------|-----------|----------------|---------|-----------|----------------|
|                 |                 | Qty     | Net Value | Avg. Rate / Kg | Qty     | Net Value | Avg. Rate / Kg |
| Rolled Products | MT/<br>₹ Crores | 116401  | 658.88    | 56.60          | 90364   | 511.70    | 56.63          |

#### Other Operating Revenue

Our other operating income (Export Incentives) increased by 49.76% to ₹ 112.92 lakhs in Fiscal 2015 from ₹75.40 lakhs in Fiscal 2014.

#### Other Income

Our other income decreased by 48.78% to ₹ 789.31 lakhs in Fiscal 2015 from ₹ 1,540.96 lakhs in Fiscal 2014.

The other income during the year ended March 31, 2015 is as per the details given below:

| Particulars                               | (Amount in ₹ Lakhs) |          |
|---|---------------------|----------|
|   | 2014-15             | 2013-14  |
| Interest income                           | 106.93              | 65.11    |
| Dividend income from Current Investments  | 2.34                | 22.57    |
| Net Profit on sale of Investments *       | 523.02              | 1,038.51 |
| Interest income from current Investments  | 108.37              | 64.31    |
| Net gain on sale of fixed assets          | 8.49                | 324.44   |
| Provision no longer required written back | -                   | -        |
| Sundry Balances Written Back              | 21.72               | 2.27     |
| Prior Period Income                       | -                   | -        |
| Miscellaneous Income                      | 18.44               | 23.75    |

\* Net profit on sale of investments has decreased to ₹ 523.02 lakhs in Fiscal 2015 as against ₹ 1,038.51 lakhs in Fiscal 2014 mainly due to realization of FMP'S (Fixed Maturity Plan) income in 2013-14.

#### Expenses

Our expenses amounted to ₹ 68,426.46 lakhs in Fiscal 2015, reflecting a 14.99% increase over our total expenditure of ₹59,506.70 lakhs in Fiscal 2014. This increase in total expenditure was primarily due to the increase in the cost of materials consumed, employee benefit expenses, other expenses and an increase in depreciation and amortization expenses.

#### Cost of material Consumed

Our cost of materials consumed amounted to ₹ 40,885.04 lakhs in Fiscal 2015, reflecting a 33.46% increase over our materials consumed expense of ₹ 30,634.46 lakhs in Fiscal 2014 mainly due to increase in billet production by 21%. As a percentage of our revenue from operations, our cost of materials consumed increased from 52.88% in Fiscal 2014 to 61.07% in Fiscal 2015.

#### Changes in inventories of finished goods, work in progress and stock-in-trade

Our changes in inventories of finished goods, work in progress and stock-in-trade increased from ₹ 7,018.76 lakhs in Fiscal 2014 to ₹ (156.93) lakhs in Fiscal 2015.

#### Employee Benefit Expenses

Our employee benefits expenses amounting to ₹ 2,833.45 lakhs in Fiscal 2015, reflected a 33.25% increase over our employee benefits expenses of ₹ 2,126.40 lakhs in Fiscal 2014, which was primarily due to annual increments

and increase in production. As a percentage of our revenue from operations, our employee benefits expenses increased from 3.67% in Fiscal 2014 to 4.23% in Fiscal 2015.

#### *Other expenses*

Our other expenses amounted to ₹ 20,929.83 lakhs in Fiscal 2015, reflecting an increase of 19.56% over other expenses of ₹ 17,505.58 lakhs in Fiscal 2014. This included, among others, an increase in store & spare consumed which was mainly due to increase in billet production to 1,22,232 MT in 2014-15 as against 1,01,022 MT in 2013-14. Processing charges amounted to ₹ 606.44 lakhs during the year 2014-15 as against ₹ 2,058.84 lakhs for the year 2013-14, showing a decrease of 70.55% due to increase in billet production. Loss on forex fluctuation amounted to ₹ 724.69 lakhs, which mainly included ₹ 431.49 lakhs for forex fluctuation on External Commercial Borrowing (ECB).

#### *Finance Cost*

Our finance expenses amounted to ₹ 2,021.49 lakhs in Fiscal 2015, reflecting a 69.91% increase over our finance expenses of ₹ 1,189.72 lakhs in Fiscal 2014, which was attributable primarily to higher borrowing on account of Capital Expenditure incurred on new Rolling Mill Capitalised on 01.01.2014. So the interest on increased borrowing was accounted for 3 months in Fiscal 2014 and for full year in Fiscal 2015.

#### *Depreciation and amortisation expense*

Our depreciation and amortization expense increased to ₹ 1,387.22 lakhs in Fiscal 2015 from ₹ 570.45 lakhs in Fiscal 2014, reflecting an increase of 143.18%, due to the reason that depreciation has been computed according to Schedule II of the Companies Act, 2013 based on useful life of assets according to which effective life of plant and machinery comes on the lower side as compared to the old provisions of erstwhile Companies Act, 1956.

#### *Profit/(Loss) before Exceptional Items, Extraordinary Items and Tax*

As a result of the factors outlined above, our loss before exceptional items, extraordinary items and tax decreased to a loss of ₹ 1,477.17 lakhs in Fiscal 2015 from a loss of ₹ 1,569.64 lakhs in Fiscal 2014.

#### *Exceptional Items, Extraordinary Items*

We did not have any exceptional items in Fiscal 2015 and Fiscal 2014.

#### *Tax Expense (including deferred tax expense)*

Our company reported total tax expense in Fiscal 2015 for ₹ 0.85 Lakhs as compared to ₹ (374.90) Lakhs in Fiscal 2014.

#### *Profit/(Loss) for the year after Tax*

As a result of the factors outlined above, our loss after tax decreased to ₹ 1,478.02 lakhs in Fiscal 2015 from a loss of ₹ 1,194.74 lakhs in Fiscal 2014.

#### **An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:**

- **Unusual or infrequent events or transactions**

There have been no events to the best of our knowledge, other than as described as above, which may be called “unusual” or “infrequent”.

- **Significant economic changes that materially affected or are likely to affect income from continuing operations**

Other than as described in the section titled “Risk Factors” and in the section titled “Management's Discussion and Analysis of Financial Conditions and Results of Operations”, beginning on pages 12 and 222, respectively, of the Draft Letter of Offer, to our knowledge there are no known trends or uncertainties

that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

- **Known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations**

Other than as described in the section titled “Risk Factors” and in the section titled “Management's Discussion and Analysis of Financial Conditions and Result of Operations”, beginning on pages 12 and 222, respectively, of the Draft Letter of Offer, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

- **Future changes in relationship between costs and income**

Other than as described in the section titled “Risk Factors” on page 12 of the Draft Letter of Offer, to our knowledge there are no factors, which will affect the future relationship between costs and income or which are expected to have a material adverse impact on our operations and finances.

- **The extent to which material increases in revenue or income from operations are due to increased volume, introduction of new products or services or increased prices**

Increases in revenues are by and large linked to increases in volume of business activity carried out by our Company.

- **Status of any publicly announced new products or business segments**

Please refer to the section titled “Business Overview” beginning on page 88 of the Draft Letter of Offer.

- **Seasonality of Business**

The business in which our company is engaged is not seasonal.

- **Any significant dependence on a single or few suppliers or customers**

We derive a significant portion of our revenues from our Company's top 5 (five) customers. In the Financial Years 2014, 2015 and 2016, our top 5 customers accounted for 43%, 34% and 37% respectively, of our revenue from operations. While our top 5 customers are not necessarily the same every year, they contribute a significant portion of our revenues. The loss of business derived from these customers or a significant reduction in, the revenues we receive from, one or more of these customers may adversely affect our business.

- **Competitive Conditions**

We have competition with Indian and international manufacturers and our results of operations could be affected by competition in the steel bar industry / sector in India and international market in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established unorganized companies / entities. This we believe may impact our financial condition and operations.

### STOCK MARKET DATA FOR EQUITY SHARES

The Equity Shares of the Company are listed on the BSE and the NSE with effect from May 17, 2012. Stated below is the stock market data for the Equity Shares for the periods indicated.

- Year is a Financial Year;
- Average price is the average of the daily closing prices of the Equity Shares for the year, or the month, as the case may be;
- High price is the maximum of the daily high prices and low price is the minimum of the daily low prices of the Equity Shares, as the case may be, for the year, or the month, as the case may be; and
- In case of two days with the same high / low / closing price, the date with higher volume has been considered.

The following table sets forth the high, low and average market prices of the Equity Shares recorded on BSE and NSE during the preceding three years and the number of the Equity Shares traded on the days of the high and low prices were recorded:

| Financial Year | High (₹) | Date of high      | Volume on date of High (No. of Equity Shares) | Low (₹) | Date of low        | Volume on date of Low (No. of Equity Shares) | Average price for the year (₹) |
|----------------|----------|-------------------|---|---------|--------------------|--|--------------------------------|
| <b>BSE</b>     |          |                   |   |         |                    |  |                                |
| 2016           | 70.90    | December 16, 2015 | 116914  | 30.15   | April 6, 2015      | 6629   | 43.08                          |
| 2015           | 45.65    | July 28, 2014     | 12591   | 18.60   | April 3, 2014      | 3819   | 34.30                          |
| 2014           | 30.90    | April 1, 2013     | 3038  | 11.64   | December 2, 2013   | 2399   | 16.97                          |
| <b>NSE</b>     |          |                   |   |         |                    |  |                                |
| 2016           | 70.45    | December 16, 2015 | 203895  | 30.60   | September 30, 2015 | 6023   | 42.79                          |
| 2015           | 45.35    | July 28, 2014     | 6552  | 19.10   | April 1, 2014      | 852  | 34.38                          |
| 2014           | 26.00    | April 1, 2013     | 520   | 11.10   | December 2, 2013   | 5317   | 16.81                          |

Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

The following table sets forth the monthly high and low prices and trading volumes on BSE and NSE for the six months preceding the date of filing of this Draft Letter of Offer:

| Month year     | High (₹) | Date of high       | Volume on date of High (No. of Equity Shares) | Low (₹) | Date of low        | Volume on date of Low (No. of Equity Shares) | Average price for the month (₹) |
|----------------|----------|--------------------|---|---------|--------------------|--|---------------------------------|
| <b>BSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 131.00   | January 24, 2017   | 26879   | 90.00   | January 06, 2017   | 9821   | 101.57                          |
| December 2016  | 110.00   | December 14, 2016  | 8809  | 86.10   | December 16, 2016  | 2851   | 94.04                           |
| November 2016  | 114.00   | November 01, 2016  | 4191  | 79.40   | November 23, 2016  | 33136  | 97.66                           |
| October 2016   | 125.70   | October 21, 2016   | 38325   | 73.65   | October 04, 2016   | 9368   | 93.74                           |
| September 2016 | 87.85    | September 22, 2016 | 1850  | 72.70   | September 14, 2016 | 2285   | 76.88                           |
| August 2016    | 89.95    | August 31, 2016    | 18063   | 71.20   | August 17, 2016    | 548  | 76.84                           |
| <b>NSE</b>     |          |                    |   |         |                    |  |                                 |
| January 2017   | 121.00   | January 24, 2017   | 27750   | 84.65   | January 09, 2017   | 5809   | 101.53                          |
| December 2016  | 107.10   | December 14, 2016  | 15819   | 87.20   | December 23, 2016  | 111768                                       | 94.08                           |
| November 2016  | 116.95   | November 04, 2016  | 6930  | 79.55   | November 22, 2016  | 2314   | 97.82                           |
| October 2016   | 126.90   | October 21, 2016   | 85770   | 75.05   | October 03, 2016   | 10514  | 94.28                           |
| September 2016 | 84.50    | September 6, 2016  | 3032  | 72.55   | September 12, 2016 | 5701   | 76.82                           |
| August 2016    | 87.50    | August 26, 2016    | 32106   | 71.90   | August 1, 2016     | 14441  | 76.68                           |

Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

Week end prices of Equity Shares along with the highest and lowest closing prices on the BSE and NSE for the last four weeks preceding the date of filing of this Draft Letter of Offer is as stated below:

| For the week ended on | Closing Price (₹) | High (₹) | Date of High      | Low (₹) | Date of Low       |
|-----------------------|-------------------|----------|-------------------|---------|-------------------|
| <b>BSE</b>            |                   |          |                   |         |                   |
| February 03, 2017     | 107.30            | 117.40   | January 30, 2017  | 105.85  | February 03, 2017 |
| January 27, 2017      | 116.55            | 131.00   | January 24, 2017  | 111.30  | January 23, 2017  |
| January 20, 2017      | 110.00            | 116.90   | January 20, 2017  | 95.40   | January 16, 2017  |
| January 13, 2017      | 95.65             | 99.45    | January 13, 2017  | 90.60   | January 10, 2017  |
| <b>NSE</b>            |                   |          |                   |         |                   |
| February 03, 2017     | 106.90            | 117.40   | February 01, 2017 | 105.20  | February 03, 2017 |
| January 27, 2017      | 116.00            | 121.00   | January 24, 2017  | 111.00  | January 23, 2017  |
| January 20, 2017      | 110.90            | 113.95   | January 20, 2017  | 93.20   | January 16, 2017  |
| January 13, 2017      | 95.20             | 98.40    | January 13, 2017  | 84.65   | January 09, 2017  |

Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

The closing market price of the Equity Shares of our Company as on one day prior to the date of this Draft Letter of Offer was ₹ 109.75 on the BSE, and ₹ 109.55 on the NSE.

The closing price of our Equity Shares as on October 27<sup>th</sup>, 2016 the trading day immediately preceding the day on which the Board resolution was passed approving the Issue was ₹ 104.50 and ₹ 104.70 on the BSE and NSE respectively. The market capitalization of our Equity Shares as on October 27<sup>th</sup>, 2016, the trading day immediately prior to the date of the Board resolution was ₹ 19,390.37 Lakhs and ₹ 19,427.48 Lakhs on the BSE and NSE based on a closing market price of ₹104.50 and ₹ 104.70 respectively.

The Issue Price of ₹ 50 has been arrived at by our Company in consultation with the Lead Manager.

### FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our outstanding financing arrangements:

The sanction amount of financial indebtedness, principal terms of security for loan and other related data as on September 30, 2016 are mentioned below:

#### A. Secured Loan from Banks

| (₹ In Lakh)    |  |                 |   |   |   |   |
|----------------|--|-----------------|---|---|---|---|
| Name of Lender | Purpose  | Sanction Amount | Rate of interest                                    | Securities offered  | Re-payment  | Outstanding amount as on 30.09.2016 (As per Ind AS) |
| SBI            | Expansion of bright bar shop and related capex     | ₹ 720 Lakh      | 1.25% over Base Rate, effective rate of 10.55% p.a. | <p>Primary Security: 1st Pari passu mortgage charge on entire fixed assets (both present and future) of the company including equitable mortgage of properties listed below:</p> <p>1. Property measuring 95569.62 sq. yards bearing M.C. No. B-XXX-1834, Plot No. C-58 &amp; C-58 (A) situated at Phase III, Focal Point, Dhandari Kalan, Ludhiana.</p> <p>2. Industrial Property bearing plot no. C-400 &amp; C-401 admeasuring 4873.08 sq. yards and 3540.24 sq. yards respectively, situated at Integrated Industrial Township named as Pioneer Industrial Park, situated at Pathredi Tehsil Manesar &amp; District Gurgaon.</p> <p>Collateral: 1st Pari passu hypothecation charge on entire current assets of the company with Axis Bank.</p> | <p>20 Quarterly instalments beginning from June 2016</p> <p>1. First 4 instalments of ₹ 10 Lakh each</p> <p>2. Next 4 instalments of ₹ 15 Lakh each</p> <p>3. Next 4 instalments of ₹ 20 Lakh each</p> <p>4. Next 4 instalments of ₹ 25 Lakh each</p> <p>5. Last 4 instalments of ₹ 110 Lakh each</p> | Rs. 698.46  |
| SBI            | Setting up of Secondary Fume Extraction System and | ₹ 2800 Lakh     | 0.80% above Base Rate, effective rate 10.10% p.a.   | <p>Primary Security: 1st Pari passu charge on entire fixed assets (both present and future) of the Company</p>  | <p>32 Quarterly instalments beginning from Quarter ending June 2017 and last instalment</p>   | ₹ 1,590.04  |

|  |   |  |  |   |  |  |
|--|---|--|--|---|--|--|
|  | SMS up gradation including modernization/ debottlenecking |  |  | including equitable mortgage of properties listed below:<br><br>1. Land measuring 52048.6 sq. yards situated at C-58, Phase-V, Focal point, Ludhiana (Punjab) bearing Wasika no. 4486 dated 03.10.1973<br><br>2. Land measuring 6.11 acres situated at C-58, Phase-V, Focal Point, Dhandari Kalan, Ludhiana (Punjab) bearing Vasika no. 4480 dated 25.05.1989 (mortgaged with Axis Bank)<br><br>3. Land measuring 7702 sq. yards situated at C58a, Opposite Plot no. C-26, Phase-V, Focal Point Dhandari Kalan, Ludhiana (Punjab) bearing Vasika no. 509 dated 12.04.2004 (mortgaged with Axis Bank)<br><br>4. Land measuring 1.29 acres situated at C-58, Phase-V, Focal Point, Ludhiana (Punjab) bearing Vasika no. 6714 dated 13.05.1994 in revenue estate of village Jamalpur Awana having its hadbast no. 177 khewat no. 761, khatuni No. 852, Tehsil and District Ludhiana (Punjab). (mortgaged with Axis Bank)<br><br>5. Industrial property bearing | due in quarter ending March, 2025<br><br>First 8 instalments of ₹ 35 Lakh each<br><br>Next 4 instalments of ₹ 70 Lakh each<br>Next 16 instalments of ₹105 Lakh each<br><br>Last 4 instalments of ₹ 140 Lakh each |  |
|--|---|--|--|---|--|--|

|     |                                    |             |   |   |   |            |
|-----|------------------------------------|-------------|---|---|---|------------|
|     |                                    |             |   | <p>plot No. C-400 and 401 admeasuring 4873.08 square yard and 3540.24 square yard respectively, situated at Integrated Industrial Township named as Pioneer Industrial Park, situated at Patherdi, Manesar, Gurgaon (mortgaged with Axis Bank)</p> <p>Collateral: 1st pari passu charge on entire current assets of the Company with Axis Bank.</p>   |   |            |
| SBI | Corporate Loan for working capital | ₹ 6500 Lakh | 0.80% above Base Rate, effective rate 10.10% p.a. | <p>Primary Security: 1st Pari passu charge (Hypothecation) on entire fixed assets (both present and future) of the Company with Axis Bank and Yes Bank including equitable mortgage of properties listed below:</p> <p>1. Land measuring 52048.6 sq. yards situated at C-58, Phase-V, Focal point, Ludhiana (Punjab) bearing Vasika no. 4486 dated 03.10.1973</p> <p>2. Land measuring 6.11 acres situated at C-58, Phase-V, Focal Point, Dhandari Kalan, Ludhiana (Punjab) bearing Vasika no. 4480 dated 25.05.1989</p> <p>3. Land measuring 7702 sq. yards situated at C58a, Opposite Plot no. C-26, Phase-V, Focal Point Dhandari Kalan, Ludhiana (Punjab) bearing</p> | <p>28 Quarterly instalments beginning from Quarter ending June 2018 and last instalment due in quarter ending March, 2025</p> <p>First 8 instalments of ₹ 100 Lakh each</p> <p>Next 8 instalments of ₹200 Lakh each</p> <p>Next 4 instalments of ₹300 Lakh each</p> <p>Next 4 instalments of ₹ 350 Lakh each</p> <p>Last 4 instalments of ₹ 375 Lakh each</p> | ₹ 6,476.88 |

|          |                                     |             |                  |   |   |            |
|----------|-------------------------------------|-------------|------------------|---|---|------------|
|          |                                     |             |                  | <p>Vasika no. 509 dated 12.04.2004</p> <p>4. Land measuring 1.29 acres situated at C-58, Phase-V, Focal Point, Ludhiana (Punjab) bearing Vasika no. 6714 dated 13.05.1994 in revenue estate of village Jamalpur Awana having its hadbast no. 177 khewat no. 761, khatuni No. 852, Tehsil and District Ludhiana (Punjab).</p> <p>5. Industrial property bearing plot No. C-400 and 401 admeasuring 4873.08 square yard and 3540.24 square yard respectively, situated at Integrated Industrial Township named as Pioneer Industrial Park, situated at Patherdi, Manesar, Gurgaon.</p> <p>Collateral: 1st pari passu charge on entire current assets of the Company with Axis Bank.</p> |   |            |
| Yes Bank | For undertaking Capital expenditure | ₹ 7500 Lakh | 9.95% p.a. fixed | <p>First Pari Passu charge on all Movable Fixed Assets (excluding those specifically charged to other lender/institutions) of the borrower anywhere in India (both present and future).</p> <p>Second pari passu charge on whole of the Current Assets of the borrower's stock of raw material, semi finished &amp; finished goods, stores &amp;</p>  | Principal amount shall be repaid in 28 ballooned quarterly instalments after a moratorium period of 36 months from the date of first disbursement | ₹ 2,981.11 |

|   |  |  |   |   |  |  |
|---|--|--|---|---|--|--|
|   |  |  |   | <p>spares, bills receivable &amp; book debts (both present &amp; future)</p> <p>First pari passu charge on land &amp; Building situated at Plot C 58 &amp; 58A, Phase III, Focal point, Ludhiana.</p> <p>First pari passu charge on land &amp; Building situated at Plot No. C - 400 &amp; 401, Pioneer Industrial park, Pathredi.</p> <p>more particularly as prescribed in MOE dated 23.06.2016</p>   |  |  |
| Axis Bank                                     | Part funding of Rolling Mill Expansion | USD 166.60 Lakh                            | LIBOR+4.25%                                     | <p>First Charge on immovable properties of the Company as detailed below.</p> <p>1. First Charge by way of EM on Land and Building and hypothecation of Plant and Machinery of Company's Ludhiana unit (both present and future)</p> <p>2. First charge by way of EM on Land and building at proposed warehouse at Pathredi near Gurgaon ( both present and future)</p> <p>Second Charge on the entire current assets of the company by way of hypothecation (both present &amp; future).</p> | <p>US\$ 1,110,000 each after (51) months &amp; (54) months after the first utilization date.</p> <p>US\$ 1,560,000 each after (57) months &amp; (60) months after the first utilisation date.</p> <p>US\$ 2,000,000 each after (63) months &amp; (66) months after the first utilisation date.</p> <p>US\$ 2,440,000 each after (69) months, (72) months &amp; (75) months after the first utilisation date.</p> <p>TOTAL US\$16,660,000</p> | ₹ 8,580.65   |
| SBI (Working Capital Consortium Loan – SBI is | Working Capital Limits                 | ₹ 25,000 Lakh (Fund Based : ₹ 15,000 Lakh) | SBI 0.70% above base rate effective rate 10.00% | First charge on the entire Current Assets of the Company, namely, stock of raw materials, semi-   | On Demand  | <p>Fund based CC limit utilization: ₹ (817.83)</p> <p>Fund based Buyers Credit</p> |

|              |                                  |  |  |   |
|--------------|----------------------------------|--|--|---|
| Lead Banker) | (Non-Fund Based : ₹ 10,000 Lakh) | <p>HDFC 2.80% above base rate effective rate 12.10%</p> <p>Axis 2.75% above base rate effective rate 12.25%</p> <p>Yes 2.00% above base rate effective rate 12.25%</p> | <p>finished and finished goods, stores and spares not relating to plant &amp; machinery (consumable stores and spares) bills receivable and book debts and all other movables of the company both present &amp; future, on pari passu basis with other WC lenders i.e. Axis Bank, Yes Bank &amp; HDFC Bank.</p> <p>2nd Pari Passu charge (with other WC lenders) on the immovable and movable properties (other than current assets) both present &amp; future. Details of properties are:</p> <p>1. Property measuring 95569.62 sq. yards bearing M.C. No. B-XXX-1834, Plot No. C-58 &amp; C-58 (A) situated at Phase III, Focal Point, Dhandari Kalan, Ludhiana.</p> <p>2. Industrial Property bearing plot no. C-400 &amp; C-401 admeasuring 4873.08 sq. yards and 3540.24 sq. yards respectively, situated at Integrated Industrial Township named as Pioneer Industrial Park, situated at Pathredi Tehsil Manesar &amp; District Gurgaon.</p> | <p>utilization : ₹ 842.22</p> <p>Non Fund Based Utilisation- Letters of Credit: ₹ 3,448.54</p> <p>Non Fund Based Utilisation- Acceptances: ₹ 1,611.86</p> <p>Non Fund Based Utilisation- Shipping &amp; Financial Gtees: ₹ 6.13</p> |
| <b>TOTAL</b> |                                  |  |  | <b>₹ 25,418.06</b>  |

### B. Commercial Papers

| Name of Purchaser of CP | Purpose                    | CP (Maturity Value) | Rate of Interest | Securities offered                    | Repayment           | Outstanding Amount (₹ In Lakh) |
|-------------------------|----------------------------|---------------------|------------------|---------------------------------------|---------------------|--------------------------------|
| HDFC Bank Ltd.          | In lieu of Working Capital | ₹ 5,000 Lakh        | 6.95% P.A.       | Carved against working capital limits | Due Date-30/12/2016 | ₹ 4,913.92                     |
| State Bank of India     | In lieu of Working Capital | ₹ 7,500 Lakh        | 7.30% P.A.       | Carved against working capital limits | Due Date-30/11/2016 | ₹ 7,408.14                     |
| <b>TOTAL</b>            |                            |                     |                  |                                       |                     | <b>₹ 12,322.06</b>             |

### C. Unsecured Loans

| Name of Lender                                   | Purpose   | Rate of interest                               | Re-payment | Outstanding/Availed Amount (₹ In Lakh) |
|--|---|--|------------|--|
| Vardhman Textiles Limited (VTXL) - Group Company | General Purpose ICD's (Interest Corporate Deposits) | 1yr Gsec+1% (8.33% applicable as on 31.3.2016) | On Demand  | ₹ 1,500                                |

### Restrictive Covenants

Under the terms of secured financing arrangements, our Company has undertaken not to do any of the following without the prior consent of the lenders/respective lender, including collectively inter alia:

- a) Raise further debt;
- b) Effect any change in the borrower's capital structure where the shareholding of the existing promoter(s) Get diluted below 51%
- c) Pledge promoter's shares to any bank / NBFC / Institutions;
- d) Effect any scheme of amalgamation or reconstruction or merger or de-merger;
- e) Any new project of scheme of expansion or acquisition of fixed assets if such investment results in breach of financial covenant(s) or diversion of working capital funds to financing of long-term assets;
- f) Investment by way of share capital in or loan or advance funds to or place deposits with any other concern (including group companies); Further such investment should not result in breach of financial covenants relating to TOL/Adj. TNW and current ratio agreed upon at the time of sanction;
- g) Enter into borrowing arrangement either secured or unsecured with any other bank financial institution, company or otherwise or accept deposits which increases indebtedness beyond permitted limits, stipulated if any at the time of sanction;
- h) Issue any guarantee or letter of comfort in the nature of guarantee on behalf of any other company (including group companies);
- i) Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default is subsisting in any repayment obligations to the bank(s);
- j) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons;
- k) Sell, assign mortgage or otherwise dispose of any of the fixed assets charged to the bank(s). However, fixed assets to the extent of 5% of Gross Block may be sold in any financial year provided such sale does not dilute FACR (Fixed Asset Coverage Ratio) below minimum stipulated level. (Not applicable for unsecured loans);
- l) Enter into any contractual obligation of a long term nature (i.e. 2 years or more) or which, in the reasonable assessment of the Bank(s), is an unrelated activity and is detrimental to lender's interest;
- m) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees etc. except where mandated by any legal or regulatory provisions;
- n) Any trading activity other than the sale of products arising out of its own manufacturing operations;
- o) Transfer of the controlling interest or making any drastic change in the management set-up including resignation of promoter directors (including key managerial personnel);
- p) Repay monies brought in by the promoters/directors/principal shareholders and their friends and relatives by way of deposits/loans/advances. Further, the rate of interest, if any, payable on such deposits/loans/advances

- should be lower than the rate of interest charged by the bank(s) on its term loan and payment of such interest will be subject to regular repayment of installments to term loans granted / deferred payment guarantees executed by the bank(s) or other repayment obligations, if any, due from the borrower to the Bank;
- q) Opening of current account with another bank or a bank which is not a member of consortium; and
  - r) Payment of commission to the guarantor(s) for guaranteeing the credit facilities sanctioned by the Bank(s).

### **Financial Covenants**

Under the terms of secured financing arrangements, our Company is required to adhere to the financial ratios as mentioned in the respective sanction letters.

### **Events of default**

Our borrowing arrangements typically contain standard events of default, including:

- a) Non-payment of the loans/advances or default in the payment of the interest thereon;
- b) Cross default (any amount);
- c) Breach of any covenants, conditions, representations
- d) Material breach of warranty, undertaking or other obligations;
- e) Loss of principal license or cessation of business, winding up of business, dissolution;
- f) Repudiation of any finance documents;
- g) Insolvency, suspension of payment of debts;
- h) Enforcement proceedings not discharged within 60 days (or such longer period as the lender may permit);
- i) Encumbrance enforceable;
- j) Compulsory acquisition, nationalization or expropriation of a substantial part of the assets of the borrowers for more than 30 days;
- k) Material adverse effect;
- l) Unlawfulness and invalidity of the facility documents

### **Pre-payment charges**

SBI - 2% of the prepaid amount (loans prepaid out higher cash accruals from the project/equity infusion by promoters or borrowers will not attract prepayment or pre-closure charges)

**Yes bank, Axis Bank** – There is no clause regarding pre-payment charges.

### **Penal Interest**

Our Company shall be liable for levy of penal interest/charges as applicable, at rates circulated from time to time, over and above the normal interest applicable in the account, in the eventualities as mentioned in the sanction letters.

## SECTION VII-LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND OTHER DEFAULTS

Except as stated in this section, there are no (i) outstanding criminal proceedings involving our Company, Directors, Promoters or Group Companies; (ii) actions taken by statutory or regulatory authorities against our Company, Directors, Promoters, or Group Companies; and (iii) outstanding claims involving our Company, Directors, Promoters, - or Group Companies for any direct and indirect tax liabilities; (iv) inquires, inspections or investigations initiated or conducted under the Companies Act against our Company, Pending or taken during the last five years immediately preceding the year of this Draft letter of offer; (v) prosecutions filed (whether pending or not); (vi) fines imposed or compounding of offences by our Company in the last five years immediately preceding the year of this Draft letter of offer; (vii) pending defaults or non-payment of statutory dues by our Company (viii) litigation or legal action against our Promoters by any ministry or Government department or statutory authority during the last five years immediately preceding this Draft letter of offer; (ix) material frauds committed against our Company, in each case in the five years preceding the date of this Draft letter of offer; (x) outstanding dues to creditors of our Company as determined to be material by our Board of Directors in accordance with the SEBI ICDR Regulation; and (xi) outstanding dues to small scale undertakings and other creditors. Further, there have been no proceedings initiated against our Company for economic offences or defaults in respect of dues payable.

Disclosures of all pending litigations involving our Company, Promoters, Directors, and Group Companies, other than criminal proceedings, statutory or regulatory action and taxation matter have been made if considered 'material' as per the "Materiality of Events Policy" framed by the Company, Promoter Companies and Group Companies, where ever applicable, or any such litigation which is material from the perspective of the Company's business, operations, prospects or reputation as under.

- a) Material for the Company: - Litigation exceeding ₹500 lakhs
- b) Material for listed Promoter/Group Companies: Vardhman Textiles Limited (VTXL), Vardhman Acrylics Limited (VAL) and Vardhman Holdings Limited (VHL):- Litigation which can impact 10% or more of the average profits of last three years.
- c) Material for unlisted Promoter/Group Companies: Litigation exceeding ₹10 lakhs.

Unless stated to the contrary, the information provided below is as on the date of this Draft letter of offer.

#### LITIGATION INVOLVING OUR COMPANY

##### A. LITIGATION AGAINST OUR COMPANY

1. Litigation Involving Criminal matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL
2. Litigation involving Tax Liabilities

##### a) Direct Tax Liabilities

*Direct tax Proceedings (consolidated)*

| Sr. No. | Type of Direct Tax     | Appeals By    | Assessment Year    | Amount in dispute/ demanded (₹ in lakhs) |
|---------|------------------------|---------------|--------------------|--|
| (i)     | Income Tax             | IT Department | 2011-12            | 7.16                                     |
|         | <b>Total (1 case)</b>  |               |                    | <b>7.16</b>                              |
| (ii)    | Income Tax             | Company       | 2012-13<br>2013-14 | 162.36<br>520.89                         |
|         | <b>Total (2 cases)</b> |               |                    | <b>683.25</b>                            |

**b) Indirect Tax Liabilities**
**Indirect tax Proceedings (consolidated)**

| Sr. No. | Type of Indirect Tax  | No. of Cases | Amount in dispute/demanded (₹ in lakhs) |
|---------|---|--------------|---|
| (i)     | Service Tax Credit on outward Freight   | 7            | 4.41                                    |
| (ii)    | Wrong Availment of Cenvat Credit-Excise   | 1            | 4.16                                    |
| (iii)   | Price Difference on transfer Billet from Ludhiana to Faridabad – Short Payment of Excise Duty | 1            | 17.39                                   |
| (iv)    | MODVAT denied U/R 9(2) of C.E. Rules, 1944  | 1            | 0.45                                    |
|         | <b>Total</b>  | <b>10</b>    | <b>26.41</b>                            |

- (i) **Assistant/Additional Commissioner Excise** had issued 6 number of show cause notices. Vide these show cause notices the department had disallowed the cenvat credit taken and raised a recovery of ₹3,17,848/- along with interest on account of the service received relating to transportation of hazardous waste on the ground that the definition of input service covers the outward freight only up to the place of removal.

**Deputy Commissioner Excise, Ludhiana** has issued a show cause notice and disallowed the cenvat credit taken and raised a recovery of ₹ 1,23,333/- on the services related to “Transport of Goods by Road”

**(Total Amount as per Sr.No 1 = 3,17,848+1,23,333=4,41,181/-)**

**Appeal filed by M/S Vardhman Special Steels Limited with Assistant Commissioner/CESTAT.**

- (ii) **Deputy Commissioner Excise, Ludhiana** had issued a show cause notice and disallowed the cenvat credit taken and raised a recovery of ₹4,15,723/- on account of availment of cenvat credit on the basis of wrong documents.

**Appeal filed by M/S Vardhman Special Steels Limited with CESTAT.**

- (iii) **Additional Commissioner (Audit) Commissionerate, Chandigarh** had issued a show cause notice to recover ₹17,39,042/- due to difference in sale & transfer prices of billet.

**Appeal filed by M/S Vardhman Special Steels Limited with CESTAT.**

- (iv) **Denial of Cenvat of ₹45,450/-, Appeal filed at CESTAT Delhi.**

**B. LITIGATION FILED BY OUR COMPANY**
**1. Litigation Involving Criminal matters**

| Sr.No. | Title of the Case                                | Nature of Litigation                                     | Amount in dispute/demanded (₹ in lakhs) |
|--------|--|--|---|
| (i)    | VSSL Vs M/s Pinnacle Engplast Pvt. Ltd.          | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 1.50                                    |
| (ii)   | VSSL Vs M/s Chennai Clamptech Designer Pvt. Ltd. | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 2.00                                    |
|        | <b>Total</b>                                     |  | <b>3.50</b>                             |

**2. Litigation Involving Statutory/Regulatory Authorities**

| Sr. No. | Title of Case                             | Nature of Litigation                    | No. of Cases | Amount in dispute/demanded (₹ in lakhs) |
|---------|---|---|--------------|---|
| (i)     | VSSL vs PSEB (Service Connection Charges) | Civil Appeal, Additional District Judge | 1            | 16.38                                   |
| (ii)    | VSSL vs PSEB (MMC)                        | Letters Patent Appeal, High Court       | 1            | 159.00                                  |
| (iii)   | VTXLvs PSEB (Power                        | Civil Writ Petition, High               | 1            | 195.33                                  |

|      | Surcharge Case)  | Court                           |          |                 |
|------|--|---------------------------------|----------|-----------------|
| (iv) | VSSL vs PSPSCL (Writ filed for challenging the order of Ombudsman for declining the interest on the initial security/earnest money and Actual Consumption Deposit (ACD)) | Civil Writ Petition, High Court | 1        | 5.37            |
| (v)  | Punjab tax on Entry of Goods into Local Areas Act, 2000  | Civil Writ Petition, High Court | 1        | 1,430.37        |
|      | <b>Total</b>   |                                 | <b>5</b> | <b>1,806.45</b> |

**Brief details of above cases are as under:**

- (i) In order to avail exemption from the payment of service connection charges against the extension of load of 1884.505 kw, the Company had filed a suit for recovery of ₹ 16.38 lakhs alongwith interest in the Civil Court, Ludhiana. The said recovery suit was dismissed by Civil Court, Ludhiana vide its order dated 08.09.2015. Subsequently, the Company had filed an appeal before the District and Session Judge, Ludhiana challenging the order of Civil Court, Ludhiana dated 08.09.2015.
- (ii) 20 MVA Arc furnace Transformer got damaged due to which manufacturing/ production of steel was totally stopped and therefore Company has not consumed sufficient power to meet the requirement of minimum monthly charges. As the damage resulted into suspension of production it is covered under clause of force majeure. Company has challenged the levying of minimum monthly charges @ ₹250/- per kw instead of applicable rate of ₹100/- per kw by the Board in the event of force majeure clause by way of Writ Petition. Hon'ble High Court vide its Order dated 24.12.2014 dismissed our writ petition. The Company challenged the order of Hon'ble High Court dated 24.12.2014 by way of Letters Patent Appeal bearing No. 227 of 2015 which came up for hearing on 10.02.2015. In the meanwhile, Electricity Board had issued a demand of ₹1.59 crores (approx.) dated 09.02.2015. On hearing the LPA, Hon'ble Judges issued notice to the other party and stayed the demand subject to depositing 50% of the amount claimed by the Board which we have deposited. The case is admitted.
- (iii) The Company had filed Civil Writ Petition against the order of Board Level Review Committee of PSEB for issuance of direction or order commanding PSEB to apply clause 14(j) of Abridged Condition of Supply for determination of Power Factor Surcharge and in case the power factor, so determined by applying clause 14(j) is above 0.85, the entire amount of ₹1,95,32,786/- already paid by the company be refunded along with interest @ 12% from the date of respective payments made by the company to PSEB. The case is not yet listed for arguments. We have moved an application for early hearing in the said petition as the amount involved has already been deposited with the department. On the last date of hearing, we moved an application for change of name from Vardhman Textiles Ltd. to VSSL before the Hon'ble Court and the same shall be taken up for arguments.
- (iv) Company has applied for extension of load i.e. for additional load of 4369.359 KW/ and contract demand of 6800 KVA making the total load of 34800 KW. The Company had paid initial security of ₹ 10,20,000/- on 07.09.2011 and Advance Consumption Deposit (ACD) of ₹ 91,80,000/- on 07.12.2012, totaling to ₹1,02,00,000/-. PSPCL has refused to pay interest on the security deposit for the period starting from the date of deposit of the initial security (EM) to the date of release of connection. Thus, interest of ₹5,36,793/- is payable to the VSSL as per prevalent rates at that time from 07.09.2011 to 31.03.2013. In addition, interest on security from 01.04.2013 to the date of release of connection i.e. 10.05.2013 is also due. Ombudsman dismissed our appeal order dated 27.04.2015 without considering the fact that the provisions of Electricity Act, 2003 will have the overriding effect upon the regulations framed by PSPCL. As such, we have filed writ petition before the Hon'ble High Court of Punjab & Haryana.
- (v) Company has filed a Civil Writ Petition No. 5537 of 2008 before the Hon'ble High Court of Punjab & Haryana at Chandigarh challenging the validity of applicability of Punjab Tax on Entry of Goods into Local Areas Act, 2000. The Court has granted stay in the matter on 08.04.2011. Our net tax liability in the matter will be ₹ 14.30 crore plus interest, if any, if the matter is decided against the company.

### 3. Litigation involving Tax Liabilities

#### a) Direct Tax Liabilities

##### *Direct tax Proceedings (consolidated)*

For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Company - Litigation against our Company - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page 241.

#### b) Indirect Tax Liabilities

##### *Indirect tax Proceedings (consolidated)*

| Sr. No. | Type of Indirect Tax | No. of Cases | Amount in dispute/ demanded (₹ in lakhs) |
|---------|----------------------|--------------|--|
| (i)     | Custom Duty          | 119          | 146.84                                   |
|         | <b>Total</b>         | <b>119</b>   | <b>146.84</b>                            |

The Company had imported Shredded scrap in 2015-16 at prices predetermined through our contract of purchase with the foreign suppliers and accordingly custom duty was to be paid on the purchase price, but Custom department had charged duty at a higher rate per Metric Tonne in contravention to the Rule 12 of the Custom Valuation Rule 2007. Hence, we have filed appeal in all these cases.

Though we didn't agree with the Department but since we had to clear our consignments, we have paid the duty under protest. Total no. of 119 appeals have been filed with the **Commissioner (Appeals) Chandigarh**.

### 4. Other Pending Litigations - NIL

## **LITIGATION INVOLVING OUR DIRECTORS**

### **A. LITIGATION AGAINST OUR DIRECTORS**

1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL
2. Litigation involving Tax Liabilities
  - a) Direct Tax Liabilities – NIL
  - b) Indirect Taxes Liabilities - NIL

### **B. LITIGATION FILED BY OUR DIRECTORS**

1. Litigation involving Criminal Matters, involving Statutory/Regulatory Authorities and Other Pending Litigations - NIL
2. Litigation involving Tax Liabilities
  - a) Direct Tax Liabilities – NIL
  - b) Indirect Taxes Liabilities - NIL

## LITIGATION INVOLVING OUR PROMOTERS

### A. LITIGATION AGAINST OUR PROMOTERS

#### I. Vardhman Textiles Limited

##### 1. Litigation Involving Criminal matters

| S.No. | Title of the case  | Nature of the case  |
|-------|--|---|
| (i)   | Rattan Singh Banga vs. State of H.P. (FIR no. 4/13 dated 8-1-2013 - PS Barotiwala) | Rattan Singh Banga has lodged a complaint/FIR against the management of the company along with the officials of revenue department alleging illegal transfer of land measuring 2 bigha 3 biswa at village Bhatoli Kalan, Pargana Dharampur, Tehsil Baddi, District Solan (H.P) by the Company. The said land was conveyed to MSML (presently known as VTXL) vide Registered Sale Deed dated 24.09.2004 bearing Vasika No. 2376. Presently the matter is pending for consideration on FIR Cancellation report.   |
| (ii)  | State Vs. Amar Bahadur Yadav   | Sapna Kewat complainant (an Employee of Vardhman Fabrics, Budhni of Weaving Division ) has filed an FIR against Amar Bahadur Yadav (Operator in Vardhman Fabrics, Budhni) under section 337 & 338 for his negligent work which caused grievous injury to her left leg while working in shift in the Factory premises. Police registered her complaint and after investigation the final challan was submitted to the JMFC Court Budni. Summon was issued to the Amar Bahadur by the Court and after hearing the facts, the bail petition of Mr. Amar Bahadur was allowed by the Court. Company has also been made party to this case. |

##### 2. Litigation Involving Actions by Statutory/Regulatory Authorities

- a) Mrs. Sharda Sarthe was a fixed term employee of the Company. She remained absent from office on medical ground for one month without any intimation and prior sanction of leave. She sent a resignation letter to Company and asked for settlement of dues. Management asked her to come to office for settlement of dues. In spite of coming to office, she filed a complaint before the Labour Court in the year 2013 against the Manager of Vardhman Fabrics in relation to alleged violation of sections 10 of the Industrial Dispute Act, 1947. In this regards she has filed complaint for Statement of claim. The matter is currently pending.
- b) Mr. Virendra Giri was a fixed term employee of the Company. As soon as management came to know about his involvement in the fire incident that happened in Vardhman Fabrics, Budhni, he was suspended with immediate effect by serving suspension cum show cause notice and instructed to put his signature in the register on daily basis as per provision of our Certified Standing Order. But thereafter he never approached office for marking his attendance. A legal notice claiming the suspension allowance was sent by him through his lawyer. After that he filed a case before the Labour Court, Bhopal under section 33 (C) 2 of the Industrial Dispute Act, 1947 for recovery of dues claiming the suspension allowance. The matter is currently pending.

### 3. Litigation involving Tax Liabilities

#### a) Direct Tax Liabilities

##### *Direct tax Proceedings (consolidated)*

| Sr. No. | Type of Direct Tax      | Appeal By     | Assessment Year | Amount in dispute/ demanded (₹ in Lakhs) |
|---------|-------------------------|---------------|-----------------|--|
| (i)     | Income Tax              | IT Department | 2002-03         | 70.29                                    |
|         |                         |               | 2003-04         | 87.82                                    |
|         |                         |               | 2004-05         | 153.73                                   |
|         |                         |               | 2005-06         | 243.21                                   |
|         |                         |               | 2006-07         | 229.72                                   |
|         |                         |               | 2007-08         | 77.99                                    |
|         |                         |               | 2008-09         | 0.00                                     |
|         |                         |               | 2009-10         | 0.00                                     |
|         |                         |               | 2010-11         | 193.22                                   |
|         |                         |               | 2011-12         | 292.94                                   |
|         |                         |               | 2012-13         | 0.00                                     |
|         | <b>Total (11 cases)</b> |               |                 | <b>1,348.92</b>                          |
| (ii)    | Income Tax              | Company       | 2002-03         | 152.53                                   |
|         |                         |               | 2003-04         | 298.56                                   |
|         |                         |               | 2004-05         | 139.49                                   |
|         |                         |               | 2005-06         | 81.05                                    |
|         |                         |               | 2006-07         | 590.57                                   |
|         |                         |               | 2007-08         | 832.07                                   |
|         |                         |               | 2008-09         | 0.00                                     |
|         |                         |               | 2009-10         | 0.00                                     |
|         |                         |               | 2010-11         | 0.00                                     |
|         |                         |               | 2011-12         | 9,309.45                                 |
|         |                         |               | 2012-13         | 2,476.31                                 |
| 2013-14 | 2823.80                 |               |                 |  |
|         | <b>Total (12 cases)</b> |               |                 | <b>16,703.83</b>                         |

#### b) Indirect Tax Liabilities

##### *Indirect tax Proceedings (consolidated)*

| Sr. No. | Type of Indirect Tax    | No. of cases | Amount in dispute/ demanded (₹ in Lakhs) |
|---------|-------------------------|--------------|--|
| (i)     | Entry Tax and State Tax | 3            | 18.09                                    |
| (ii)    | Excise Duty             | 7            | 294.69                                   |
| (iii)   | Service Tax             | 1            | 1.86                                     |
| (iv)    | Property Tax            | 2            | 140.48                                   |
|         | <b>Total</b>            | <b>13</b>    | <b>455.12</b>                            |

#### 4. Other Pending Litigations – NIL

### II. Litigation against Other Promoters

#### 1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL

## 2. Litigation involving Tax Liabilities

### a) Direct Tax Liabilities

#### *Direct tax Proceedings (consolidated)*

| Sr. No.                | Type of Direct Tax | Company Name  | Appeal By     | Assessment Year | Amount in dispute/demanded (₹ in Lakhs) |
|------------------------|--------------------|---|---------------|-----------------|---|
| (i)                    | Income Tax         | Vardhman Holdings Limited   | IT Department | 2002-03         | 90.67                                   |
|                        |                    |   |               | 2003-04         | 0.00                                    |
|                        |                    |   |               | 2004-05         | 0.00                                    |
|                        |                    | Devakar Invetsment & Trading Co. P. Ltd.  | IT Department | 2012-13         | 29.26                                   |
| <b>Total (4 cases)</b> |                    |   |               |                 | <b>119.93</b>                           |
| (ii)                   | Income Tax         | Vardhman Holdings Limited   | Company       | 2002-03         | 0.00                                    |
|                        |                    |   |               | 2003-04         | 81.36                                   |
|                        |                    |   |               | 2004-05         | 12.26                                   |
|                        |                    | Devakar Invetsment & Trading Co. P. Ltd.  |               | 2013-14         | 0.59                                    |
|                        |                    | Pradeep Mercantile Co. P. Ltd.<br>(Now merged into Devakar)                     |               | 2012-13         | 3.74                                    |
|                        |                    | Plaza Trading Company Private Limited<br>(Now merged into Devakar)              |               | 2012-13         | 0.43                                    |
|                        |                    | Marshall Investment & Trading Company Private Ltd.<br>(Now merged into Devakar) |               | 2012-13         | 1.95                                    |
|                        |                    | Adishwar Enterprises LLP  |               | 1993-94         | 0.00                                    |
|                        |                    | VTL Investments Limited   |               | 2004-05         | 1.35                                    |
|                        |                    | <b>Total (9 cases)</b>  |               |                 |   |

### b) Indirect Taxes Liabilities – NIL

## B. LITIGATION FILED BY OUR PROMOTERS

### I. Vardhman Textiles Limited

#### 1. Litigation Involving Criminal matters

| Sr. No. | Title of the Case                                     | Nature of Litigation  | Breif description of case  | Amount in dispute/demanded (₹ in Lakhs) |
|---------|---|---|--|---|
| (i)     | State of MP Vs Dinesh RT 59/13                        | Complaint under Section 451,294 & 427of IPC   | Applicants had filed Complaint under Section 451, 294 & 427 of IPC against accused Dinesh Pawar through Mr. AK Singh & Heeralal, Security Department. This Complaint is against the Nuisance created by accused Dinesh in main gate Security Office. He had broken the center table of the office, abused and intimidated security team.   | -                                       |
| (ii)    | State Vs Virendra and 13 others                       | Complaint under Section 408, 467, 468 & 420. Section 120B readable with Section 436 of IPC. | Some of the Employees of Vardhman Fabrics, Budhni and other local persons conspired a crime against the Company and set Cotton Godown no. 11 under fire. Written complaint was filed by the Company to the Police Thana, Budni. Police Investigated the facts and submitted a Charge sheet against the accused in the JMFC, Court, Budni. At present the case is in the trial stage at ASJ, Court, Nasrullaganj. | -                                       |
| (iii)   | Auro Dyeing vs J.S.Enterprises (Sukhbir Singh Chopra) | Complaint u/s 138 of the Negotiable Instrument Act, 1881                                    | -  | 4.75                                    |
| (iv)    | Auro Textiles vs. Mahendra Exports                    | Complaint u/s 138 of the Negotiable Instrument Act, 1881                                    | -  | 5.62                                    |
| (v)     | State vs Amrit Lal & others                           | FIR no. 125 dated 13-9-2010 u/s 427/447/34 IPC  | Amrit Lal and others illegally tried to enter into premises of the Company situated at village Bhatoli Khurd, Tehsil Baddi, District Solan, Himachal Pradesh by breaking wall of the company. The Company had filed FIR against them.  | -                                       |
| (vi)    | Auro Dyeing vs M/s MeruImpex                          | Complaint u/s 138 of the Negotiable Instrument Act, 1881                                    | -  | 35.00                                   |
| (vii)   | VTXL vs Surya Jyoti & Others                          | Criminal Complaint u/s 420  | A criminal complaint u/s 420 of IPC was filed against Surya Jyoti Spinning Mills for providing for   | 15.69                                   |

|        |                              |  |  |       |
|--------|------------------------------|--|--|-------|
|        |                              |  | ged and fabricated reference numbers of NEFT and RTGS to the company against the supply of goods.                        |       |
| (viii) | VTXL vs. JS Enterprises      | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | -  | 4.80  |
| (ix)   | VTXL (VSGM) Vs. Laso Exports | CRM No. 26886 of 2015.                                   | Appeal against the acquittal of accused in 138 complaint, pending before Hon.ble Punjab & Haryana High Court, Chandigarh | 8.32  |
| (x)    | VSGM Vs, Ganesh Internation  | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | Accused has been declared as Proclaimed offender.  | 19.50 |
| (xi)   | VSGM Vs. Holystar            | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | Accused has been declared as Proclaimed offender.  | 3.05  |

**2. Litigation Involving Statutory/Regulatory Authorities - NIL**

**3. Litigation involving Tax Liabilities**

**a) Direct Tax Liabilities**

*Direct tax Proceedings (consolidated)*

*For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Promoters - Litigation against our Promoters - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page246.*

**b) Indirect Tax Liabilities**

*Indirect tax Proceedings (consolidated)*

| Sr. No. | Type of Indirect Tax   | No. of cases | Amount in dispute/ demanded (₹ In Lakhs) |
|---------|------------------------|--------------|--|
| (i)     | Duty Drawback          | 1            | 4.73                                     |
| (ii)    | Excise and Custom Duty | 12           | 551.22                                   |
| (iii)   | Service Tax            | 11           | 126.29                                   |
| (iv)    | VAT                    | 9            | 742.45                                   |
| (v)     | Entry Tax              | 2            | 100.20                                   |
| (vi)    | CST                    | 1            | 78.62                                    |
|         | <b>Total</b>           | <b>36</b>    | <b>1,603.51</b>                          |

**4. Other Pending Litigations - NIL**

**II. Litigation involving Other Promoters**

**1. Litigation Involving Criminal Matters, involving Statutory/Regulatory Authorities and Other Pending Litigations - NIL**

**2. Litigation involving Tax Liabilities**

**a) Direct Tax Liabilities**

*For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Promoters - Litigation against other Promoters - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page247.*

b) Indirect Taxes Liabilities - NIL

**LITIGATION INVOLVING OUR GROUP COMPANIES (other than Promoter Group Companies)**

**A. LITIGATION AGAINST OUR GROUP COMPANIES**

**I. Vardhman Yarns and Threads Limited**

1. Litigation Involving Criminal matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL

2. Litigation involving Tax Liabilities

a) Direct Tax Liabilities

*Direct tax Proceedings (consolidated)*

| Sr. No.                | Type of Direct Tax | Appeal By     | Assessment Year | Amount in dispute/ demanded (₹ In Lakhs) |
|------------------------|--------------------|---------------|-----------------|--|
| (i)                    | Income tax         | IT Department | 2008-09         | 102.32                                   |
|                        |                    |               | 2009-10         | 350.93                                   |
|                        |                    |               | 2010-11         | 70.76                                    |
|                        |                    |               | 2011-12         | 42.57                                    |
| <b>Total (4 cases)</b> |                    |               |                 | <b>566.58</b>                            |
| (ii)                   | Income Tax         | Company       | 2008-09         | 0.00                                     |
|                        |                    |               | 2009-10         | 0.00                                     |
|                        |                    |               | 2010-11         | 8.21                                     |
|                        |                    |               | 2011-12         | 3.73                                     |
|                        |                    |               | 2012-13         | 68.38                                    |
| <b>Total (5 cases)</b> |                    |               |                 | <b>80.32</b>                             |

b) Indirect Tax Liabilities

*Indirect tax Proceedings (consolidated)*

| Sr. No.      | Type of Indirect Tax       | No. of Cases | Amount in dispute/ demanded (₹ In Lakhs) |
|--------------|----------------------------|--------------|--|
| (i)          | Excise/Service Tax/Customs | 27           | 200.07                                   |
| (ii)         | Entry tax                  | 1            | 946.26                                   |
| (iii)        | VAT & State Tax            | 2            | 154.33                                   |
| <b>Total</b> |                            | <b>30</b>    | <b>1,300.66</b>                          |

**II. Vardhman Acrylics Limited**

1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL

## 2. Litigation involving Tax Liabilities

### a) Direct Tax Liabilities

#### *Direct tax Proceedings (consolidated)*

| Sr. No.                | Type of Direct tax | Assessment year | Appeal by     | Amount in dispute/ demanded (₹ In Lakhs) |
|------------------------|--------------------|-----------------|---------------|--|
| (i)                    | Income tax         | 2003-04         | IT Department | 0.00                                     |
|                        |                    | 2004-05         |               | 0.00                                     |
|                        |                    | 2006-07         |               | 184.32                                   |
|                        |                    | 2007-08         |               | 186.13                                   |
|                        |                    | 2008-09         |               | 0.00                                     |
|                        |                    | 2009-10         |               | 0.00                                     |
|                        |                    | 2010-11         |               | 169.82                                   |
|                        |                    | 2011-12         |               | 303.80                                   |
|                        |                    | 2012-13         |               | 21.06                                    |
| <b>Total (9 cases)</b> |                    |                 |               | <b>865.13</b>                            |
| (ii)                   | Income Tax         | 2011-12         | Company       | 411.42                                   |
|                        |                    | 2012-13         |               | 0.00                                     |
|                        |                    | 2013-14         |               | 71.87                                    |
| <b>Total (3 cases)</b> |                    |                 |               | <b>483.29</b>                            |

### b) Indirect Tax Liabilities

#### *Indirect tax Proceedings (consolidated)*

| Sr. No.      | Type of Indirect Tax                        | No. of Cases | Amount in dispute/ demanded (₹ In Lakhs) |
|--------------|---|--------------|--|
| (i)          | VAT & CST (The Gujarat VAT Act, 2003)       | 3            | 379.01                                   |
| (ii)         | Cenvat Credit (The Central Excise Act 1944) | 1            | 1.19                                     |
| (iii)        | Service Tax (The Finance Act, 1994)         | 11           | 57.96                                    |
| <b>Total</b> |   | <b>15</b>    | <b>438.16</b>                            |

## III. VMT Spinning Company Limited

### 1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL

### 2. Litigation involving Tax Liabilities

#### a) Direct Tax Liabilities

#### *Direct tax Proceedings (consolidated)*

| Sr. No.                | Type of Direct tax | Assessment year | Appeal by     | Amount in dispute/ demanded (₹ In Lakhs) |
|------------------------|--------------------|-----------------|---------------|--|
| (i)                    | Income tax         | 2003-04         | IT Department | 10.90                                    |
|                        |                    | 2008-09         |               | 0.00                                     |
|                        |                    | 2009-10         |               | 0.00                                     |
|                        |                    | 2010-11         |               | 0.00                                     |
| <b>Total (4 cases)</b> |                    |                 |               | <b>10.90</b>                             |

#### b) Indirect Tax Liabilities - NIL

## B. LITIGATION FILED BY OUR GROUP COMPANIES

### I. Vardhman Yarns And Threads Limited

#### 1. Litigation Involving Criminal matters

| Sr. No. | Title of the Case                   | Nature of Litigation                                     | Amount in dispute/demanded (₹ In Lakhs) |
|---------|-------------------------------------|--|---|
| (i)     | VYTL Vs Mahadev Trade House         | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 9.21                                    |
| (ii)    | VYTL Vs Tip Top Agency              | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 0.97                                    |
| (iii)   | VYTL Vs Qual Team Export            | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 2.71                                    |
| (iv)    | VYTL Vs Sri Rama Tailoring Material | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 5.67                                    |
| (v)     | VYTL Vs Orient Clothing             | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 27.88                                   |
| (vi)    | VYTL Vs Orient Clothing             | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 27.88                                   |
| (vii)   | VYTL Vs Orient Clothing             | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 27.88                                   |
| (viii)  | VYTL Vs Orient Clothing             | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 27.88                                   |
| (ix)    | VYTL Vs Leemac Shoe Limited         | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 2.08                                    |
| (x)     | VYTL Vs Desire Clothing             | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 0.60                                    |
| (xi)    | VYTL Vs M/S Anwar Lining Store      | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 3.05                                    |
| (xii)   | VYTL Vs M/S Sun Flower Embroidery   | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 0.60                                    |
| (xiii)  | VYTL Vs Kumar Enterprises           | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 1.57                                    |
| (xiv)   | VYTL Vs Dee Cee Export              | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 3.14                                    |
| (xv)    | VYTL Vs ArchanaEnterprises          | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 0.95                                    |
| (xvi)   | VYTL Vs Boinpally Rajender          | Complaint u/s 138 of the Negotiable Instrument Act, 1881 | 1.87                                    |
|         | <b>Total</b>                        |  | <b>143.94</b>                           |

#### 2. Litigation Involving Statutory/Regulatory Authorities and Other Pending Litigations - NIL

#### 3. Litigation involving Tax Liabilities

##### a) Direct Tax Liabilities

For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Group Companies - Litigation against our Group Companies - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page 250.

**b) Indirect Tax Liabilities**

*Indirect tax Proceedings (consolidated)*

| Sr. No. | Type of Indirect Tax       | No. of Cases | Amount in dispute/ demanded (₹ In Lakhs) |
|---------|----------------------------|--------------|--|
| (i)     | Excise/Service Tax/Customs | 34           | 246.92                                   |
|         | <b>Total</b>               | <b>34</b>    | <b>246.92</b>                            |

**II. Vardhman Acrylics Limited**

**1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL**

**2. Litigation involving Tax Liabilities**

**a) Direct Tax Liabilities**

*For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Group Companies - Litigation against our Group Companies - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page 251.*

**b) Indirect Tax Liabilities - NIL**

**III. Vmt Spinning Company Limited**

**1. Litigation Involving Criminal Matters, Actions by Statutory/Regulatory Authorities and Other Pending Litigations - NIL**

**2. Litigation involving Tax Liabilities**

**a) Direct Tax Liabilities**

*For details, see “Outstanding Litigations and Other Defaults - Litigation involving our Group Companies - Litigation against our Group Companies - Litigation involving Tax Liabilities - Direct Tax Liabilities” on page 251.*

**b) Indirect Tax Liabilities - NIL**

**LITIGATION INVOLVING OUR SUBSIDIARY**

Our Company does not have any subsidiary company.

### OUTSTANDING DUES TO CREDITORS

Material Creditors of the Company having amount outstanding, as on September 30, 2016, of more than ₹204.98 lakhs, being 5% of the Company's trade payables, as per last audited financial statements of our Company.

As of September 30, 2016, our Company had 6 creditors, to whom a total amount of ₹ 4,808.00 lakhs was outstanding. Based on the policy of our Board as disclosed above, as of September 30, 2016 our Company has the following Material Creditors:

| Name of Creditor                        | Amount Outstanding (in ₹ Lakhs) | % of the total trade payables |
|---|---------------------------------|-------------------------------|
| M/s European Metal Recycling Ltd.       | 747.68                          | 15.55                         |
| M/s Toyota Tsusho Material Incorporated | 661.08                          | 13.75                         |
| M/s S Sacker (Claydon) Ltd              | 559.39                          | 11.63                         |
| M/s Shabro International PTE. Ltd       | 327.24                          | 6.81                          |
| M/s Arora Iron & Steels R.M Pvt. Ltd.   | 285.93                          | 5.95                          |
| M/s Morgardshammar AB                   | 274.58                          | 5.71                          |
| <b>Total</b>                            | <b>2,855.88</b>                 |                               |

As of September 30, 2016, our Company owes the following amounts to small scale undertakings and other creditors:

| Particulars   | Number of creditors | Amount involved (₹ In Lakhs) |
|---|---------------------|------------------------------|
| Small scale undertakings (registered micro, small and medium enterprises) | 492                 | 2,456.03                     |
| Other creditors   | 38                  | 2,351.97                     |

The details pertaining to net outstanding dues towards our creditors are available on the website of our Company at [www.vardhmansteel.com](http://www.vardhmansteel.com). It is clarified that such details available on our website do not form a part of this Draft Letter of Offer. Anyone placing reliance on any other source of information, including our Company's website, would be doing so at their own risk.

### **PAST INQUIRES, INVESTIGATIONS OR INSPECTIONS**

There have been no inquires, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last five years immediately preceding the year of issue of the Draft letter of offer in the case of our Company.

## MATERIAL DEVELOPMENTS

I. Except as disclosed herein below, there are no material developments since March 31, 2016, which significantly affect the operations, performance, prospects or financial condition of our Company. The Shareholders approved the following matters, by way of a special resolution, at their Annual General Meeting held on September 28, 2016:

- a) The increase in Authorised Share Capital of the Company from existing ₹ 35,00,00,000/- (Rupees Thirty Five Crore) divided into 3,50,00,000 (Three Crore Fifty Lakhs) equity shares of ₹ 10/- each to ₹60,00,00,000 (Rupees Sixty Crore) divided into 6,00,00,000 (Six Crore) equity shares of ₹ 10/- each and thereafter approved the amendment of Capital Clause (Clause V) of Memorandum of Association of the Company.
- b) Vardhman Special Steels Limited Employee Stock Option Plan 2016 under SEBI (Share Based Employee Benefits) Regulation, 2014:
- The aggregate number of shares that may be issued against the Plan under the First Grant is 2,10,000 shares which is within the approved limit of 2% of total issued share capital i.e. 371,108 shares. The remaining shares will be issued in the subsequent Grant(s). One option entitles the holder to apply for one equity share of the company, subject to corporate action.
  - There shall be a minimum period of two years between the grant of options and vesting of options. For the First Grant, the exercise price shall be ₹ 65 per share. For the First Grant, the vesting schedule shall be:

| Date of vesting                      | Vesting Ratio | Number of options vested |
|--------------------------------------|---------------|--------------------------|
| End of year 2 from the date of grant | 25%           | 52,500                   |
| End of year 3 from the date of grant | 25%           | 52,500                   |
| End of year 4 from the date of grant | 25%           | 52,500                   |
| End of year 5 from the date of grant | 25%           | 52,500                   |
| <b>Total</b>                         | <b>100%</b>   | <b>2,10,000</b>          |

- c) The appointment of Mr. Sanjoy Bhattacharyya as an Independent Director for a term of consecutive five years upto the conclusion of 11<sup>th</sup> Annual General Meeting of our Company, in accordance with the Companies Act, 2013. The remuneration will be paid by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board and approved by the Shareholders from time to time. In addition to the sitting fees, our Company will, for the period of appointment, reimburse travel, hotel and other incidental expenses reasonably incurred in the performance of such role and duties.
- d) Remuneration payable to Mr. Sachit Jain, Managing Director for the financial year 2016-17

| Sr.No. | Remuneration                | Details  |
|--------|-----------------------------|--|
| I      | Basic Salary                | ₹5,00,000 per month  |
| II     | Special Allowance           | ₹83,000 per month  |
| III    | Perquisites                 | The perquisites shall be allowed in addition to basic salary and special allowance. However, such perquisites shall be restricted to an amount equal to 5 month's basic salary during each year as per details given below:-   |
| a)     | Housing                     | Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company along with other amenities.  |
| b)     | Club Fees                   | Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.   |
| c)     | Personal Accident Insurance | Premium not to exceed ₹5,000/- per annum   |
| d)     | Gratuity                    | Gratuity payable not exceeding half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time. |
| e)     | Car & Telephone             | Free use of Company's car for official work as well as for personal purposes and telephone at Company's cost.  |

- e) Commission payable @ 1% of the net profits of the Company subject to the maximum of ₹10 lakhs for a period of one year i.e. from 1<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017 to Mr. PrafullAnubhai, Chairman & Independent Director.
  - f) Ratification of remuneration of the Cost Auditors for the financial year ending 31<sup>st</sup> March 2017.
- II.** Our Company has increased the capacity of our Steel Melting Shop from existing capacity of 1,25,000 tons per annum to 1,60,000 tons per annum during the year. Disclosure made to the Stock Exchange as on 14.12.2016

## GOVERNMENT AND OTHER STATUTORY APPROVALS

Our Company has received the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/regulatory authorities/certification bodies required to undertake the Issue or continue our business activities. In view of the approvals listed below, we can undertake the Issue and our current/ proposed business activities and no further major approvals from any governmental/regulatory authority or any other entity are required to be undertaken, in respect of the Issue or to continue our business activities. It must, however, be distinctly understood that in granting the above approvals, the Government of India and other authorities do not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed in this behalf.

The main objects clause of the Memorandum of Association of our Company and the objects incidental, enable our Company to carry out its activities.

### Approvals pertaining to Incorporation, name and constitution of our Company

- Certificate of Incorporation dated May 14, 2010 issued by the Registrar of Companies, Punjab, Himachal Pradesh, Chandigarh ("RoC") in the name of "Vardhman Special Steels Limited".
- The Corporate Identification Number (CIN) of our Company is L27100PB2010PLC033930.

### I. GENERAL APPROVALS

1. The ISIN of our Company is INE050M01012.
2. Our Company has Industrial license no. LI505 (1988) dated 05/09/88 issued by Secretariat of Industrial Approvals, Department of Industrial Development, Government of India, for manufacturing of steel ingots/billets upto 1,25,000 MTPA. We are filing our document for acknowledgement of additional melting capacity of 35,000 MT.

### II. TAX RELATED APPROVALS

| General |  |  |                     |                     |                |
|---------|--|--|---------------------|---------------------|----------------|
| Sr. No. | Description  | Authority  | Registration Number | Date of Certificate | Date of Expiry |
| 1       | Permanent Account Number (PAN)   | Income Tax Department, Government of India                                       | AADCV4812B          | 14/05/2010          | N.A.           |
| 2       | Tax Deduction Account Number (TAN)   | Income Tax Department, Government of India                                       | JLDV01914D          | 01/04/2011          | N.A.           |
| 3       | Certificate of Registration issued under Service Tax Code Registration 00440262, 00440060, 00440410 Ludhiana Facility) | Central Board of Excise and Customs, Ministry of Finance – Department of Revenue | AADCV4812BSD001     | 20/02/2013          | N.A.           |

| Value Added Tax |                             |                  |                     |                     |                |
|-----------------|-----------------------------|------------------|---------------------|---------------------|----------------|
| Sr. No.         | Description                 | Authority        | Registration Number | Date of Certificate | Date of Expiry |
| 1               | Certificate of Registration | PUNJAB           | 03932088000         | 22/03/2011          | N.A.           |
| 2               | Certificate of Registration | HARYANA          | 06241333767         | 30/03/2011          | N.A.           |
| 3               | Certificate of Registration | UTTAR PRADESH    | 09488822765C        | 26/09/2012          | N.A.           |
| 4               | Certificate of Registration | RAJASTHAN        | 08040855537         | 19/04/2011          | N.A.           |
| 5               | Certificate of Registration | UTTRAKHAND       | 05012132979         | 01/05/2012          | N.A.           |
| 6               | Certificate of Registration | MAHARASHTRA      | 27090829006V        | 29/03/2011          | N.A.           |
| 7               | Certificate of Registration | KARNATAKA        | 29100693119         | 07/09/2012          | N.A.           |
| 8               | Certificate of Registration | TAMIL NADU       | 33371666833         | 01/04/2011          | N.A.           |
| 9               | Certificate of Registration | HIMACHAL PRADESH | 02030201607         | 01/04/2011          | N.A.           |

| Central Sales Tax |                             |                  |                     |                     |                |
|-------------------|-----------------------------|------------------|---------------------|---------------------|----------------|
| Sr. No.           | Description                 | Authority        | Registration Number | Date of Certificate | Date of Expiry |
| 1                 | Certificate of Registration | PUNJAB           | 03932088000         | 22/03/2011          | N.A.           |
| 2                 | Certificate of Registration | HARYANA          | 06241333767         | 30/03/2011          | N.A.           |
| 3                 | Certificate of Registration | UTTAR PRADESH    | 09488822765C        | 26/09/2012          | N.A.           |
| 4                 | Certificate of Registration | RAJASTHAN        | 08040855537         | 19/04/2011          | N.A.           |
| 5                 | Certificate of Registration | UTTRAKHAND       | 05012132979         | 24/05/2012          | N.A.           |
| 6                 | Certificate of Registration | MAHARASHTRA      | 27090829006C        | 29/03/2011          | N.A.           |
| 7                 | Certificate of Registration | KARNATAKA        | 29100693119         | 07/09/2012          | N.A.           |
| 8                 | Certificate of Registration | TAMIL NADU       | 33371666833         | 12/04/2011          | N.A.           |
| 9                 | Certificate of Registration | HIMACHAL PRADESH | 02030201607         | 01/04/2011          | N.A.           |

| Professional Tax |                             |             |                     |                     |                |
|------------------|-----------------------------|-------------|---------------------|---------------------|----------------|
| Sr. No.          | Description                 | Authority   | Registration Number | Date of Certificate | Date of Expiry |
| 1                | Certificate of Registration | KARNATAKA   | 345687725           | 17/08/2012          | N.A.           |
| 2                | Certificate of Registration | MAHARASHTRA | 27090829006P        | 03/08/2011          | N.A.           |

### III. LABOUR RELATED APPROVALS/REGISTRATIONS

| Authority   | Registration Number | Issuing Authority                  | Date of Issue    | Date of Expiry    |
|---|---------------------|------------------------------------|------------------|-------------------|
| Factory license issued under the Factories Act, 1948. | LDH-7/V-5/505       | Chief Inspector, Factories, Punjab | February 4, 2016 | December 31, 2020 |

#### IV. CENTRAL EXCISE RELATED APPROVALS

| Sr. No. | Description                             | Authority   | Registration Number | Date of Certificate | Date of Expiry |
|---------|---|---|---------------------|---------------------|----------------|
| 1       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Ludhiana</b>   | AADCV4812BEM001     | 23/03/2011          | N.A.           |
| 2       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Gurgaon</b>    | AADCV4812BED008     | 23/03/2012          | N.A.           |
| 3       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Ghaziabad</b>  | AADCV4812BED018     | 11/08/2014          | N.A.           |
| 4       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Bhiwadi</b>    | AADCV4812BED022     | 09/03/2015          | N.A.           |
| 5       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Rudrapur</b>   | AADCV4812BED012     | 23/07/2012          | N.A.           |
| 6       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Pune</b>       | AADCV4812BEM023     | 04/09/2015          | N.A.           |
| 7       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm. of Central Excise, <b>Bangalore</b> | AADCV4812BEM011     | 25/07/2012          | N.A.           |
| 8       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Chennai</b>    | AADCV4812BEM017     | 17/02/2014          | N.A.           |
| 9       | Central Excise Registration Certificate | Deputy Commissioner or Asstt. Comm of Central Excise, <b>Aurangabad</b> | AADCV4812BEM021     | 02/10/2014          | N.A.           |

#### V. APPROVALS RELATING TO EXISTING MANUFACTURING FACILITY

| Description  | Code Number     | Issuing Authority  | Date of Issue      | Date of Expiry     |
|--|-----------------|--|--------------------|--------------------|
| Certificate for the use of boiler, under the provision of section 7/8 of the Indian Boiler Act No. V of 1923 | LDH/2016-17/184 | Director of Boilers Punjab                                   | September 22, 2016 | September 21, 2017 |
| Fire Safety Certificate (N.O.C)  | 1463/FB/D       | Assistant Divisional Fire Officer, Fire Department, Ludhiana | August 28, 2016    | August 27, 2017    |

**VI. APPROVALS RELATING TO Capacity Expansion already undertaken in Fiscal 2016**

| Sr. No. | Description   | Reference/Registration/ Approval/ Certificate Number | Issuing Authority  | Date of Issue     | Date of Expiry    |
|---------|---|--|--|-------------------|-------------------|
| 1       | Approval for expansion of existing unit :   | PBIP/LORC-I/12-2015/196/6748                         | Addl.Chief Executive Officer, Punjab Bureau of Investment Promotion                  | January 6, 2016   | N.A.              |
|         | a) NOC from Forest & Wildlife Department  | PBIP/LORC-I/12-2015/196/6748                         | Department of Forests & Wildlife Preservation, Punjab Bureau of Investment Promotion | January 6, 2016   | N.A.              |
| 2       | Regulatory clearances :   | PBIP/LORC-II/03-2016/11/213                          | Punjab Bureau of Investment Promotion  | April 20, 2016    | N.A.              |
|         | a) Acceptance of Factory Building Plan under Factory Act, 1948 and Punjab Factories Rules 1952  | U.O.No. PBIP/Factories/2016/2                        | Joint Director of Factories, Punjab Bureau of Investment Promotion                   | March 31, 2016    | N.A.              |
|         | b) Approval of Building Plan  | Letter No. PBIP/STP/2016/430                         | Housing & Urban Development Department, Punjab Bureau of Investment Promotion        | March 14, 2016    | N.A.              |
| 3       | Regulatory clearances :   | PBIP/LORC-III/2016/1956                              | Addl.Chief Executive Officer, Punjab Bureau of Investment Promotion                  | July 30, 2016     | N.A.              |
|         | a) Consent to operate u/s 25/26 of the Water (Prevention & Control of Pollution Act, 1974 & u/s 21 of Air (Prevention & Control of Pollution) Act, 1981 | R15LDHICTOA3312921                                   | Punjab Pollution Control Board (PPCB), Punjab Bureau of Investment Promotion         | December 02, 2015 | March 31, 2018    |
|         | b) License under Factory Act, 1948  | Dispatch No. 11                                      | Joint Director of Factories, Punjab Bureau of Investment Promotion                   | February 04, 2016 | December 31, 2020 |

|    |   |                         |   |                   |      |
|----|---|-------------------------|---|-------------------|------|
|    |   |                         | Promotion   |                   |      |
| c) | Stability Certificate   | PBIP/LORC-III/2016/1956 | Joint Director of Factories, Punjab Bureau of Investment Promotion            | July 30, 2016     | N.A. |
| d) | Certificate of Registration of Establishment under the Contract Labour (Regulation & Abolition) Act, 1970 | Dispatch No. 4591       | Joint Director of Factories, Punjab Bureau of Investment Promotion            | October 28, 2011  | N.A. |
| e) | Grant of Occupation Certificate   | PBIP/LORC-III/2016/1956 | Housing & Urban Development Department, Punjab Bureau of Investment Promotion | July 30, 2016     | N.A. |
| f) | Approval of Electrical Installation   | Memo No. 010950         | Chief Electrical Inspector, Punjab Bureau of Investment Promotion             | February 23, 2016 | N.A. |

#### VII. ENVIRONMENT RELATED APPROVALS

| Description   | Authority                      | Registration Number             | Date of Certificate | Date of Expiry |
|---|--------------------------------|---------------------------------|---------------------|----------------|
| Consent to operate u/s 21 of Air (Prevention & Control of Pollution) Act, 1981 for discharge of emissions arising out of premises | Punjab Pollution Control Board | Consent No. R15LDHICTOA 3312921 | December 2, 2015    | March 31, 2018 |

#### VIII. OTHER APPROVALS

Our Company has obtained following Certificate of registration certifying Quality Management System in compliance with the requirements of ISO

| Description  | Authority  | Registration Number                                  | Date of Certificate | Date of Expiry  |
|--|--|--|---------------------|-----------------|
| ISO/TS 16949:2009 (Manufacture of Special Alloy Steels Exclusions: 7.3 Product Design) | DNV Business Assurance Management System Certificate                               | 37659-2008-AQ-IND-IATF IATF Certificate No.: 0190153 | August 07, 2014     | August 06, 2017 |
| ISO 9001:2008 (Manufacture and Supply of Special & Alloy Steels)                       | DNV Business Assurance Management System Certificate                               | 39216-2008-AQ-IND-RvA Rev.04                         | August 06, 2014     | July 05, 2017   |
| ISO 14001:2004 (Manufacture and Supply of Special & Alloy Steels)                      | DNV GL - Business Assurance ROMA, No. 10, GST Road, Alandur, Chennai, PIN -600016, | 177315-2015-AE-IND-RvA                               | April 22, 2015      | April 21, 2018  |

|  |  |                         |                   |                   |
|--|--|-------------------------|-------------------|-------------------|
|  | India  |                         |                   |                   |
| OHSAS 18001:2007<br>(Manufacture and Supply of Special & Alloy Steels)   | DNV GL - Business Assurance ROMA, No. 10, GST Road, Alandur, Chennai, PIN -600016, India | 177314-2015-HSO-IND-DNV | April 22, 2015    | April 21, 2018    |
| IS 1875:1992<br>(Carbon Steel Billets, Blooms, Slabs and Bar for Forging)                                      | Bureau of Indian Standards<br>Chandigarh Branch<br>Office-I, Northern Regional Office,   | CM/L-9700025311         | February 22, 2016 | February 21, 2017 |
| IS 7283:1992<br>(Hot Rolled Bars for Production of Bright Bars and Machined Parts of Engineering Applications) | Bureau of Indian Standards<br>Chandigarh Branch<br>Office-I, Northern Regional Office,   | CM/L-9700028216         | March 18, 2016    | March 17, 2017    |

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

Pursuant to the resolution passed by our Board of Directors at its meeting held on October 28, 2016, it has been decided to Issue Rights Equity Shares to the Eligible Equity Shareholders. Further, our Board of Directors by resolution dated October 28, 2016 and our shareholders through postal ballot resolution declared on December 22, 2016 have authorized the Employee Reservation Portion for Eligible Employees.

The Board of Directors in their meeting held on October 28, 2016 have determined the Issue Price as ₹ 50 per Equity Share and the Rights Entitlement as 2 Rights Equity Share(s) for every 3 Equity Share(s) held on the Record Date. The Issue Price has been arrived at in consultation with the Lead Manager.

Our Company has received 'in-principle' approval from the BSE and NSE for listing of the Rights Equity Shares to be allotted in the Issue pursuant to their letter dated [●] and [●], respectively.

### Prohibition by SEBI or RBI

Our Company, our Promoters, Directors of our Promoter, Promoter Group, Group Companies and our Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other regulatory or government authorities. Neither our Promoters nor any of our Directors or persons in control of our Company have been or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI or any other regulatory or governmental authorities.

None of our Directors are in any manner associated with the securities market except as mentioned below:-

1. Mr. Sachit Jain, as an Independent Director in UTI Asset Management Company Limited; and
2. Mr. Prafull Anubhai, as an Independent Director in Birla Sun Life Trustee Company Private Limited.

We confirm that there has been no action taken by the SEBI against above Directors.

Neither our Company, nor our Promoters or directors of our Corporate Promoter, Promoter Group or Group Companies or relatives of our Promoters (as defined under Companies Act, 2013) have been named as wilful defaulters by the RBI or any other government authorities. Further, there have been no violations of securities laws committed by any of them in the past or no such proceedings are currently pending against any of them.

### Eligibility for the Issue

Our Company is a listed company and has been incorporated under the Companies Act, 1956. Presently, the Equity Shares of the Company are listed on the BSE and NSE. Our Company is eligible to offer the Rights Equity Shares pursuant to the Issue in terms of Chapter IV of the ICDR Regulations.

Pursuant to Scheme of Arrangement & De-merger sanctioned by Punjab and Haryana High Court Chandigarh under section 391 to 394 of the Companies Act, 1956 the Equity Shares issued by the Company were listed at BSE and NSE consequent to relaxation granted by SEBI from applicability of Rule 19 (2)(b) of Securities Contract Regulations, Rules, 1957 in exercise of the powers conferred under Rule 19(7) of the said Rules..

Since we are making Rights Issue of Equity shares for the first time subsequent to such listing, pursuant to clause (3) of part E of Schedule VIII of the SEBI Regulations, our Company is eligible to make this Issue by making disclosures in the Letter of Offer as specified in Part A of Schedule VIII of the SEBI Regulations.

Further, our Company confirms that it is in compliance with the following:

- a) Our Company has been filing periodic reports, statements and information in compliance with the Listing Agreement and the Listing Regulations, as applicable, for the last three years immediately preceding the date of filing this Draft Letter of Offer with the SEBI;
- b) The reports, statements and information referred to in sub-clause (a) above are available on the website of the

BSE and NSE, which are recognised stock exchanges with nationwide trading terminals; and

- c) Our Company has an investor grievance handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

#### **Compliance with Regulation 4(2) of the SEBI ICDR Regulations**

Our Company is in compliance with requirements of Reg. 4(2) of the SEBI (ICDR) Regulations, 2009 to the extent applicable.

#### **Disclaimer Clause of SEBI**

**AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT/OBJECTS FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER, MASTER CAPITAL SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, MASTERCAPITAL SERVICES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 03, 2017, WHICH READS AS FOLLOWS:**

- **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
  - a. **THE DRAFT LETTER OF OFFER FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - b. **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - c. **THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, AS AMENDED AND REPLACED BY THE COMPANIES ACT, 2013, TO THE EXTENT IN**

**FORCE, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

- **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
- **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
- **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE.**
- **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE.**
- **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE.**
- **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM THE STOCK EXCHANGE MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION. – NOT APPLICABLE FOR A RIGHTS ISSUE**

**WE CONFIRM THAT TRANSFER OF MONIES RECEIVED PURSUANT TO THE ISSUE SHALL BE RELEASED TO THE COMPANY AFTER FINALIZATION OF THE BASIS OF ALLOTMENT IN COMPLIANCE WITH REGULATION 56 OF THE ICDR REGULATIONS.**

- WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
- WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
  - AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND  
  
AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.
  - WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE – NOTED FOR COMPLIANCE.
  - WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
  - WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.
  - WE ENCLOSE STATEMENT ON ‘PRICE INFORMATION OF PAST ISSUES HANDLED BY MASTER CAPITAL SERVICES LIMITED (WHO ARE RESPONSIBLE FOR PRICING THIS ISSUE)’, AS PER FORMAT SPECIFIED BY THE SEBI THROUGH CIRCULAR –NOT APPLICABLE. BEING A RIGHTS ISSUE.
  - WE CERTIFY THAT PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS - COMPLIED WITH TO THE EXTENT OF THE RELATED PARTY TRANSACTIONS REPORTED, IN ACCORDANCE WITH ACCOUNTING STANDARD 18, IN THE FINANCIAL STATEMENTS OF THE COMPANY INCLUDED IN THE DRAFT LETTER OF OFFER AND AS CERTIFIED BY THE STATUTORY AUDITORS, S.S. KOTHARI MEHTA & CO. CHARTERED ACCOUNTANTS [FIRM REGISTRATION NO. 022150N] BY WAY OF ITS CERTIFICATE DATED JANUARY 23, 2017.
  - WE CERTIFY THAT THE ENTITY IS ELIGIBLE UNDER 106Y (1) (A) OR (B) (AS THE CASE MAY BE) TO LIST ON THE INSTITUTIONAL TRADING PLATFORM, UNDER CHAPTER XC OF THESE REGULATIONS - NOT APPLICABLE.

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER SECTION 34 OR SECTION 38 OF THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

**THE PROMOTER/ DIRECTORS OF OUR COMPANY CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THE OFFER DOCUMENT HAS BEEN SUPPRESSED WITHHELD AND/ OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/ MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/ REFUND AS THE CASE MAY BE, THAT ANY INFORMATION/ MATERIAL HAS BEEN SUPPRESSED/ WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/ MISREPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 34 OF THE COMPANIES ACT, 2013.**

#### **Caution**

#### **Disclaimer Statement from our Company and the Lead Manager:**

Our Company and the Lead Manager, namely Master Capital Services Limited, accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in the advertisement or any other material issued by or at the instance of our Company and that anyone placing reliance on any other source of information would be doing so at his own risk.

Applicants will be required to confirm and will be deemed to have represented to our Company and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Rights Equity Shares and that they shall not issue, sell, pledge or transfer their Rights Entitlement or Rights Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Rights Equity Shares. Our Company, the Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Investor on whether such Investor is eligible to acquire any Rights Equity Shares.

We and the Lead Manager shall make all information available to the Eligible Equity Shareholders and Eligible Employees and no selective or additional information would be available for a section of the Eligible Equity Shareholders or Eligible Employees in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with the SEBI.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer. You must not rely on any unauthorized information or representations. This Draft Letter of Offer is an offer to sell only the Rights Equity Shares and rights to purchase the Rights Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Draft Letter of Offer is current only as of its date.

The Lead Manager and its affiliates may engage in transactions with, and perform services for, our Company and our group entities or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Company and our group entities or affiliates, for which they have received, and may in the future receive, compensation.

#### **Disclaimer with respect to jurisdiction**

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Ludhiana, India only.

#### **Selling Restrictions**

The distribution of this Draft Letter of Offer and the issue of our Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of Rights Equity Shares to its Eligible Equity Shareholders and Eligible Employees and will dispatch the Letter of Offer and Composite Application Form

("CAF") Eligible Equity Shareholders and Employee Application Form ("EAF") to Eligible Employees, who have an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Rights Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, the Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Letter of Offer should not, in connection with the issue of the Rights Equity Shares or the Rights Entitlements, distribute or send the same in or into the US or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in the Letter of Offer.

Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date. For further details, please see "Notice to Overseas Shareholders" on page 8 of this Draft Letter of Offer.

### **Designated Stock Exchange**

The Designated Stock Exchange for the purposes of this Issue will be the BSE.

### **Disclaimer Clause of the BSE**

As required, a copy of this Draft Letter of Offer is being submitted to the BSE. The Disclaimer Clause as will be intimated by the BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchange.

### **Disclaimer Clause of the NSE**

As required, a copy of this Draft Letter of Offer is being submitted to the NSE. The Disclaimer Clause as will be intimated by the NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchange.

### **Filing with SEBI**

This Draft Letter of Offer is being filed with the Corporation Finance Department of the SEBI, located at the 5th Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi - 110 001 for its observations. After SEBI gives its observations, the Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act.

### **Impersonation**

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-Section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

*"Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"*

### **Issue Related Expenses**

The total expenses of the Issue are estimated to be approximately ₹ [●] lakhs. The expenses of the Issue include, among others, fees of the Lead Manager, fees of the Registrar to the Issue, fees of the other advisors, Banker(s) to the Issue, printing and stationery expenses, advertising, travelling and marketing expenses and other expenses.

The estimated Issue expenses are as under:

| Particulars  | Estimated Expenses<br>(₹ in Lakhs) | % of Estimated Issue size | % of Estimated Issue expenses |
|--|------------------------------------|---------------------------|-------------------------------|
| Fees to Intermediaries (Lead Manager, legal counsel, Registrar to the Issue, Bankers to the Issue, Advisor to the Issue) | [●]                                | [●]                       | [●]                           |
| Underwriting commission  | [●]                                | [●]                       | [●]                           |
| Advertising, traveling and marketing expenses  | [●]                                | [●]                       | [●]                           |
| Printing, postage and stationery expenses  | [●]                                | [●]                       | [●]                           |
| Miscellaneous and other expenses   | [●]                                | [●]                       | [●]                           |
| <b>Total estimated Issue expenses</b>  | [●]                                | [●]                       | <b>100%</b>                   |

#### **Fees Payable to the Lead Manager to the Issue**

The fees payable to the Lead Manager to the Issue are set out in the Memorandum of Understanding entered into by our Company with the Lead Manager, copy of which is available for inspection at the registered office of our Company.

#### **Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue are set out in the engagement letter dated [●] issued by our Company to the Registrar.

#### **Underwriting Fees**

The underwriting fees is set out in the Agreement dated [●]

#### **Previous Issues by our Company**

Our Company has not undertaken any public or rights issue during the last five years.

#### **Commission and Brokerage on Previous Issues**

The Company has not made any Public / Rights Issue during last five years, hence any commission or brokerage has not been paid.

#### **Outstanding Debentures/Bonds and Preference Shares**

There are no outstanding debentures/ Bonds and preference shares as on the date of the Draft Letter of Offer.

#### **Previous issue of Equity Shares for consideration other than cash**

Except as disclosed in this Letter of Offer in section titled “Capital Structure” beginning on page 48 of this Draft Letter of Offer, the Company has not made any issue of shares for consideration other than cash.

#### **Performance vis-à-vis Objects**

Our Company has not undertaken any public/rights issue since its inception.

#### **Previous Public Issues by group companies**

None of our group companies have made any public or rights issue in the past three years.

#### **Performance vis-à-vis Objects – Last one issue of group companies/ Associates**

None of the Group Companies of our Company have undertaken any public or rights issue in the last ten years preceding the date of this Draft Letter of Offer. However, Vardhman Textiles Limited, issued Equity Shares to Qualified Institutional Buyers through placement in October 2010,

Our promoter company, Vardhman Textiles Limited, raised ₹ 199,99,99,680 by placing 58,82,352 equity shares of face value ₹ 10 at a price of ₹ 340 through placement to QIP in October 2010. The net proceeds were envisaged to be used for augmenting its long term financial resources for funding its growth, meeting working capital requirements, for general corporate purposes and for any other uses that may be permissible under applicable statutory and/or regulatory requirements. Vardhman Textiles Limited used the proceeds as envisaged.

### **Listing on the Stock Exchange**

The existing Equity Shares of our Company are listed on the BSE and NSE. We had made an application to the BSE and NSE for obtaining 'in-principle' approval in respect of the Rights Issue Equity Shares, and have received the same from the BSE and the NSE by way of its letter dated [●] and [●] respectively. We will apply to the BSE and NSE for listing and trading approvals in respect of the Rights Issue Equity Shares.

If the permission to deal in and for an official quotation of the securities is not granted by the BSE and NSE, we shall forthwith repay, without interest, all monies received from Applicants in pursuance of the Letter of Offer.

We will issue and dispatch Allotment advice/ share certificates/demat credit and/or letters of regret along with refund order or credit the Allotted Rights Equity Shares to the respective beneficiary accounts, if any, within a period of 15 (fifteen) days from the Issue Closing Date.

If such money is not repaid beyond eligible days after our Company becomes liable to repay it, i.e. the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 (fifteen) days from the Issue Closing Date (on expiry of 70 days from the Issue Closing Date in case of devolvement of the underwriter), whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

### **IMPORTANT INFORMATION FOR INVESTORS**

- This Issue is made to Eligible Equity Shareholders as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and as appearing in the register of members of our Company in respect of Equity Shares held in the physical form, at the close of business hours on the Record Date i.e. [●], after giving effect to the valid share transfers lodged with our Company up to the Record Date; and to Eligible Employees (other than Promoters) who are permanent and full-time employee of our Company, as on the Record Date, who is an Indian national and is based, working and present in India as on the date of submission of the EAF and who continues to be in such employment till the finalisation of the basis of Allotment in consultation with the Designated Stock Exchange, but excludes persons not eligible under applicable laws, rules, regulations and guidelines.
- Your attention is drawn to the section titled “*Risk Factors*” on page 12 of the LOF.
- Please ensure that you have received the CAF or EAF with the Abridged Letter of Offer.
- Please read the Letter of Offer, the Abridged Letter of Offer, the CAF/EAF, and the instructions contained therein carefully before filling in the CAF/EAF. The instructions contained in the CAF are each an integral part of the Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer, the Abridged Letter of Offer or the CAF/EAF.
- All enquiries in connection with the Letter of Offer, the Abridged Letter of Offer or the CAF should be addressed to the Registrar to the Issue, quoting the registered folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
- All information shall be made available to the Investors by the Lead Manager and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports.
- The Lead Manager and our Company shall update the Letter of Offer and keep the public informed of any material changes until the listing and trading commences.

### **Consents**

Consents in writing of the Directors, the Statutory Auditors, the Lead Manager, the Legal Advisor to the Issue, the Registrar to the Issue to act in their respective capacities and Banker(s) to the Issue have been obtained and such consents have not been withdrawn up to the date of this Letter of Offer.

### Expert Opinion

Except for the "Financial Information" and the "Statement of Possible Tax Benefits Available to the Company and its Shareholders" as certified by the Statutory Auditors, beginning on pages 165 and 78 respectively of this Draft Letter of Offer, the Company has not obtained any expert opinions under the Companies Act.

### Issue Schedule

|   |   |
|---|---|
| <b>Issue Opening Date:</b>                        | ● |
| <b>Last date for receiving requests for SAFs:</b> | ● |
| <b>Issue Closing Date:</b>                        | ● |

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

### Investor Grievances and Redressal System

Our Company has adequate arrangements for the redressal of investor complaints. Additionally, we have been registered with the SEBI Complaints Redress System, ("SCORES"), as required by the SEBI Circular no. CIR/OIAE/ 2/ 2011 dated June 3, 2011. A well-arranged correspondence system has been developed by the Company.

Our Company has a Stakeholders' Relationship Committee which meets as and when required, to deal with and monitor redressal of complaints from shareholders. The Company also has Share Transfer Committee to deal with matters related to Share Transfer/transmission/ issuance of duplicate shares, split-up and consolidation which meets every 10 days to deal with such matters. All these matters are resolved in consultation with Alankit Assignments Limited, our Registrar and Share Transfer Agent.

Complaints related to Unpaid dividend/ non-receipt of shares/ non- receipt of annual report are directly handled by the Company in consultation with RTA. These complaints are resolved within a time period of 15-30 days.

Investors may contact the Compliance Officer and/or Registrar to the Issue in case of any Pre-Issue/ Post-Issue related problems such as non-receipt of allotment advice/share certificates/demat credit/refund orders etc.

### Company Secretary and Compliance Officer

Ms. Sonam Taneja  
 Vardhman Special Steels Limited  
 Vardhman Premises, Chandigarh Road,  
 Ludhiana-141010,  
 Punjab, India  
 Tel: 0161-2228943-48;  
 Fax: 0161-2601048, 2220766  
 Website: www.vardhmansteel.com  
 E-mail: secretarial.lud@vardhman.com

### Status of Complaints of our Company

| Period   | Complaints received | Complaints disposed off |
|--|---------------------|-------------------------|
| For the Financial Year 2017<br>(Upto December, 2016) | 0                   | 0                       |
| Financial Year 2016                                  | 0                   | 0                       |
| Financial Year 2015                                  | 0                   | 0                       |
| Financial Year 2014                                  | 0                   | 0                       |

**Status of Complaints of our Group Companies:-**
**VARDHMAN TEXTILES LIMITED**

| Period   | Complaints received | Complaints disposed off |
|--|---------------------|-------------------------|
| For the Financial Year 2017<br>(Upto December, 2016) | 46                  | 43                      |
| Financial Year 2016                                  | 45                  | 46                      |
| Financial Year 2015                                  | 40                  | 40                      |
| Financial Year 2014                                  | 40                  | 40                      |

**VARDHMAN HOLDINGS LIMITED**

| Period   | Complaints received | Complaints disposed off |
|--|---------------------|-------------------------|
| For the Financial Year 2017<br>(Upto December, 2016) | 18                  | 18                      |
| Financial Year 2016                                  | 41                  | 41                      |
| Financial Year 2015                                  | 40                  | 40                      |
| Financial Year 2014                                  | 33                  | 33                      |

**VARDHMAN ACRYLICS LIMITED**

| Period   | Complaints received | Complaints disposed off |
|--|---------------------|-------------------------|
| For the Financial Year 2017<br>(Upto December, 2016) | 13                  | 13                      |
| Financial Year 2016                                  | 0                   | 0                       |
| Financial Year 2015                                  | 0                   | 0                       |
| Financial Year 2014                                  | 0                   | 0                       |

Average Time normally taken by us and the above mentioned group companies, for disposal of various types of investor complaints: 15-30 days from the date of receipt of complaints.

The above mentioned listed group companies have the same arrangements and mechanisms in place for redressal of investor grievances, as our Company.

Except as mentioned above, no other group companies are listed on any recognized stock exchange of India.

**Status of outstanding investor complaints of our Company**

As on date, there were no outstanding investor complaints.

**Investor Grievances arising out of the Issue**

Any investor grievances arising out of the Issue will be handled by the Registrar to the Issue. The agreement between the Company and the Registrar provides for a period for which records shall be retained by the Registrar in order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue or the SCSB in case of ASBA Applicants giving full details such as Folio No. / Demat Account No., name and address, contact telephone/ cell numbers, email id of the first Applicant, number of Rights Equity Shares applied for, CAF serial number, amount paid on application and the name of the bank/ SCSB and the branch where the CAF was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The Company is registered with the SEBI Complaints Redress System ("SCORES") as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated June 3, 2011. Consequently, investor grievances are tracked online by the Company.

The average time taken by the Registrar to the Issue for attending to routine grievances will be within 30 (thirty)

days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. We undertake to resolve the investor grievances in a time bound manner. For more details, investors are requested to visit the website [www.scores.gov.in](http://www.scores.gov.in)

The contact details of the Registrar and Share Transfer agent to the company are as follows:

**Registrar to the Issue**

**Alankit Assignments Limited**

1E/13, Alankit Heights, Jhandewalan Extension

New Delhi- 110055

New Delhi, India

**Contact Person:** Pankaj Goenka/ Mahesh Pandey

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**Website:** www.alankit.in

**Investor Grievance ID:** info@alankit.com

**SEBI Registration No.:** INR000002532

**Changes in the Auditors during the last three years**

There has been no change in the statutory auditor of our company in last three years.

**Capitalization of Reserves or Profits / Issuance of Equity Shares for consideration other than cash**

Our Company has not capitalized any of its reserves or profits / issued shares for consideration other than cash.

**Revaluation of Fixed Assets**

There has been no revaluation of our Company's fixed assets in the last five years.

**Stock market data for Equity Shares**

For stock market data of our Company and our Group Companies, please see section titled "Stock Market Data for Equity Shares" on page 230 and "Group Companies" on page 155 of this Draft Letter of Offer.

## SECTION VIII – OFFERING INFORMATION

### TERMS OF THE ISSUE

*This Section applies to all Investors. ASBA Investors should note that the ASBA process involves procedures that may be different from that applicable to other Investors and should carefully read the provisions applicable to such Applications, in the Letter of Offer, the Abridged Letter of Offer, the CAF and the EAF, before submitting an Application Form. The Company and the Lead Manager are not liable for any amendments, modifications or changes in applicable law which may occur after the date of the Letter of Offer.*

#### OVERVIEW

The Equity Shares proposed to be issued, are subject to the terms and conditions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF enclosed with the Letter of Offer, the EAF, the SAF, the Memorandum and Articles of Association of our Company, the provisions of the Companies Act, FEMA, the ICDR Regulations, the Listing Regulations, any other regulations, guidelines, notifications and regulations for issue of capital and for listing of securities issued by the SEBI, the RBI, the Government of India and/or other statutory and regulatory authorities and bodies from time to time, and the terms and conditions as stipulated in the Allotment advice or letters of Allotment or share certificate and rules as may be applicable and introduced from time to time.

The Rights Entitlement on the Equity Shares, the ownership of which is currently under dispute including any court proceedings and / or currently under transmission shall be held in abeyance and the Application Form in relation to these Rights Entitlement shall not be dispatched pending resolution of the dispute / completion of the transmission. On submission of such documents / records confirming the legal and beneficial ownership of the Equity Shares with regard to these cases, to the satisfaction of the Issuer, the Issuer shall make available the Rights Entitlement on such Equity Shares to the identified Eligible Equity Shareholder. The identified Eligible Equity Shareholder shall be entitled to subscribe to the Rights Equity Shares with respect to these Rights Entitlement at the Issue Price of ₹ 50 per Rights Equity Share as adjusted for any bonus shares, consolidation or spilt of shares (as may be applicable) in accordance with the provisions of the Companies Act, 2013 and all other applicable laws.

#### Renounees

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to the Issue shall apply to Renounee(s) as well.

#### Eligible Employees

Eligible Employees can participate in the Issue under the Employee Reservation Portion pursuant to Regulation 55A of the SEBI Regulations. However, it is clarified that the Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

#### The ASBA Facility

**Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI circular dated December 30, 2009. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000. The Investors who are (i) not QIBs; (ii) not Non- Institutional Investors; or (iii) investors whose application amount is not more than ₹ 2,00,000, can participate in the Issue either through the ASBA process or the non ASBA process.**

**Accordingly, an eligible ASBA Investor is an Investor who:**

- holds the Equity Shares in dematerialised form as on the Record Date and has applied towards his/her Rights Entitlements or additional Rights Equity Shares in the Issue in dematerialised form;
- has not renounced his/her Rights Entitlements in full or in part;
- is not a Renounee; and

- applies through a bank account maintained with one of the SCSBs.
- has not split the CAF

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.

**Notwithstanding anything contained hereinabove, all Renounees (including Renounees who are Individuals) shall apply in the Issue only through the non-ASBA process.**

Retail Individual Investors and Eligible Employees may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

Further, in terms of the SEBI circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues/ rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

#### **Authority for the Issue**

Pursuant to the resolution passed by our Board of Directors in its meeting held on October 28, 2016, Shareholders of the Company through Postal Ballot dated December 22, 2016 and Committee of Directors in its meeting dated January 23, 2017, it has been authorised to issue Right Equity Shares to the Existing Equity Shareholders and employees of the Company.

Our Company has obtained in-principle listing approvals dated [●] and [●] from BSE & NSE respectively.

#### **Basis for the Issue**

The Rights Equity Shares are being offered for subscription for cash to (a) those existing Eligible Equity Shareholders of our Company whose names appear, (i) as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form, and (ii) on the register of members of our Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., [●], fixed in consultation with the Stock Exchange and (b) those employees who are permanent and full-time employees of our Company (other than Promoters), as on the Record Date, who is an Indian national and is based, working and present in India as on the date of submission of the EAF and who continues to be in such employment till the finalisation of the basis of Allotment in consultation with the Designated Stock Exchange, but excludes persons not eligible under applicable laws, rules, regulations and guidelines..

#### **Ranking of Rights Equity Shares**

The Rights Equity Shares being issued shall be subject to the provisions of the Memorandum of Association and Articles of Association. The Rights Equity Shares shall rank *pari passu*, in all respects including dividend, with our existing Equity Shares.

#### **Mode of Payment of Dividend**

In the event of declaration of dividend, the Company shall pay dividend to the shareholders of the Company as per the provisions of the Companies Act and the provisions of the Articles of Association.

### **PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE**

#### ***Face Value***

Each Rights Equity Share shall have the face value of ₹ 10 each.

### ***Offer Price***

Each Equity Share is being offered at a price of ₹ 50 (including a premium of ₹ 40 per Equity Share). The issue price has been arrived in consultation with our Lead Manager.

### ***Terms of payment***

Investors shall have to make full payment of ₹ 50 per Rights Equity Share at the time of making an application.

The payment towards Equity Shares offered will be applied as under:

1. ₹ 10 per Rights Equity Share towards Equity Share Capital; and
2. ₹ 40 per Rights Equity Share towards securities premium account of our Company.

A separate cheque/demand draft/pay order must accompany each application form.

All payments should be made by cheque/demand draft/pay order drawn on any bank, (including a cooperative bank), which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the Application Form is accepted. Outstation cheques /money orders/postal orders will not be accepted and Application Form accompanied by such cheque/money orders/postal orders are liable to be rejected. The Registrar to the Issue will not accept any payments against applications, if such payments are made in cash.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest scheme has been withdrawn and accordingly, payment through Stockinvest will not be accepted in the Issue.

Where an applicant has applied for additional Rights Equity Shares and is allotted lesser number of Rights Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

### **Rights Entitlement**

As your name appears as a beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of our Company as on the Record Date i.e., [●], you are entitled to the number of Rights Equity Shares as set out in Part A of the CAF enclosed with the Letter of Offer.

**Our Company is making this Issue on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer/ Abridged Letter of Offer and CAFs only to Eligible Equity Shareholders who have a registered address in India. The distribution of this Letter of Offer/Abridged Letter of Offer and the issue of securities on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. Any person who acquires Rights Entitlements or the Rights Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer/Abridged Letter of Offer/CAF that such person is not and that at the time of subscribing for the Rights Equity Shares or the Rights Entitlements, will not be, in any restricted jurisdiction.**

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue – Application on Plain Paper*”.

### **Rights Entitlement Ratio**

The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of 2 Rights Equity Shares for every 3 Equity Shares held on the Record Date.

### **Employee Reservation Portion**

The Rights Equity Shares are being offered under the Employees Reservation Portion pursuant to SEBI Regulations to the Eligible Employees subject to the total consideration for Rights Equity Shares applied for by

Eligible Employee not exceeding ₹2,00,000

Since this is a rights issue under regulation 55A of the SEBI Regulations, specific provisions of public issue are not applicable to the Issue.

**The Eligible Employee applying under the Employee Reservation Portion should compulsorily apply through the EAF. Please note that Eligible Employees cannot make an application on a plain paper. Any application by an Eligible Employee other than through EAF shall be liable to be rejected.**

**An Eligible Employee who has not received the EAF may approach the Registrar for the Issue of duplicate EAF.**

Eligible Employees who are Eligible Equity Shareholders may also apply under the Net Issue. In such a case, application under the Net Issue and application under the Employee Reservation Portion shall not be considered as multiple applications.

### **Fractional Entitlements**

For Rights Equity Shares being offered under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than 3 Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional Rights Entitlements are being ignored would be given preference in allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares. For example, if an Eligible Equity Shareholder holds 2 Equity Shares, he will be entitled to 1.32 Rights Equity Shares but fractional entitlement shall be ignored. He will also be given a preference for allotment of one additional Rights Equity Share if he has applied for the same. It is clarified that the additional Rights Equity Shares, required in connection with the aforementioned allotments would be adjusted from the unsubscribed portion of the Issue, if any.

Also, those Equity Shareholders holding less than 2 Equity Shares and therefore entitled to 'Zero' Equity Shares under this Issue shall be despatched a CAF with 'Zero' entitlement. Such Equity Shareholders are entitled to apply for additional Rights Equity Shares and would be given preference in the allotment of one additional Rights Equity Share if, such Equity Shareholders have applied for the additional Equity Shares. However, they cannot renounce the same to third parties. CAFs with zero entitlement shall be non-negotiable/ non – renounceable.

### **Listing and trading of the Rights Equity Shares proposed to be issued**

Our Company's existing Equity Shares are currently traded on the NSE (scrip code - VSSL) and the BSE (scrip code 534392) under the ISIN INE050M01012. The fully paid up Rights Equity Shares proposed to be issued on a rights basis and to the employees shall be listed and admitted for trading on the Stock Exchange under the existing ISIN for fully paid Equity Shares of our Company. All steps for completion of necessary formalities for listing and commencement of trading in the Rights Equity Shares will be taken within seven working days from finalization of the basis of allotment. The Company has made applications to the Stock Exchange seeking 'in-principle' approval for the listing of the Rights Equity Shares pursuant to the Issue in accordance of the Listing Regulations and has received such approval from the BSE pursuant to letter no. [●] dated [●] and the NSE pursuant to letter no. [●] dated [●]. Our Company will apply to the BSE and the NSE for final approval for the listing and trading of the Rights Equity Shares. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or the price at which the Rights Equity Shares offered under the Issue will trade after the listing thereof.

If permissions to list, deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Letter of Offer. If such money is not repaid within eight days after our Company becomes liable to repay it, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

### ***Rights of the Equity Shareholder***

Subject to applicable laws, Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;

- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote either in person or by proxy;
- Right to receive offers for rights equity shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transfer and transmission of shares and on their consolidation or splitting; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

## **GENERAL TERMS OF THE ISSUE**

### **Market Lot**

Pursuant to Section 29 of the Companies Act, 2013 the Rights Equity Shares shall be allotted only in dematerialised form. The market lot for the Rights Equity Shares in dematerialised mode is one. In case of physical certificates, our Company would issue one certificate for the Equity Shares allotted to one folio (“**Consolidated Certificate**”). In respect of Consolidated Certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations.

Investors may please note that the Rights Equity shares issued pursuant to the issue can be traded on the Stock Exchange only in dematerialized form.

### **Joint-Holders**

Where two or more persons are registered as the holders of any Equity Shares they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association of our Company. In case of joint holders, the Application Form would be required to be signed by all the joint holders to be considered as valid for allotment of Rights Equity Shares. In case such Eligible Equity Shareholders who are joint holders wish to renounce their Rights Entitlement, all such Eligible Equity Shareholders who are joint holders would be required to sign Part B of the CAF. In absence of signatures of all joint holders, the CAF would be liable for rejection.

### **Nomination**

In terms of Section 72 of the Companies Act, 2013 nomination facility is available for Rights Equity Shares. An Eligible Equity Shareholder can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. In case of Eligible Equity Shareholders who are individuals, a sole Eligible Equity Shareholder or the first named Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders, if any and Eligible Employees, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Rights Equity Shares. A person, being a nominee, becoming entitled to the Rights Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Rights Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Rights Equity Shares, in the event of death of the said holder(s), during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Rights Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Rights Equity Shares are held by two or more persons, the nominee shall become entitled to receive the Rights Equity Shares only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of our Company or such other person at such addresses as may be notified by our Company. An Eligible Equity Shareholder or Eligible Employee can make the nomination by filling in the relevant portion of the CAF or EAF respectively.

In terms of Section 72 of the Companies Act, 2013 any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 (Ninety) days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Rights Equity Shares that may be allotted in this Issue under the same folio. However, new nominations, if any, by the Eligible Equity Shareholder(s) shall operate in supersession of the previous nomination, if any.

**In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in the Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.**

#### **Subscription by our Promoter and Promoter Group**

Our Promoter and Promoter Group have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, in compliance with Regulation 10(4) of Takeover Regulations.

#### **Minimum Subscription**

If the Issuer does not receive the minimum subscription of ninety percent of the offer through offer document including devolvement of Underwriters within sixty days from the date of closure of the issue, the Issuer shall forthwith refund the entire subscription amount received within 70 days of the closure of Issue. If there is a delay beyond eight days after the Issuer becomes liable to pay the amount i.e. 70 days, the Issuer shall pay interest as per applicable law.

#### **Notices**

All notices to the Eligible Equity Shareholders and Eligible Employees required to be given by our Company shall be published in one (1) English national daily newspaper with wide circulation, one (1) Hindi national daily newspaper with wide circulation and one (1) regional language newspaper with wide circulation at the place where our Registered Office is situated and/ or will be sent by ordinary post or registered post or speed post to the registered address of the Eligible Equity Shareholders in India as updated with the Depositories/ registered with the Registrar and Transfer Agent from time to time or the Indian address provided by the Eligible Equity Shareholders from time to time and to Eligible Employees at the address with their Depository Participant / permanent address with the Company.

#### **Offer to Non Resident Eligible Equity Shareholders/Investors**

As per Regulation 6 of Notification No. FEMA 20/2000-RB dated May 3, 2000, the RBI has given general permission to Indian companies to issue rights equity shares to non-resident shareholders including additional securities. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Money, allotment of Rights Equity Shares and issue of letter of allotment. **The Abridged Letter of Offer and Application Form shall be dispatched to non-resident Eligible Equity Shareholders at their Indian address only.** If an NR or NRI Investors has specific approval from RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Rights Equity Shares. The Rights Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original shares against which Rights Equity Shares are issued on rights basis.

Application Form will be made available for eligible NRIs at our Registered Office and with the Registrar to the Issue.

In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account must be opened.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated Non-Resident entities.

#### **Arrangements for disposal of odd lots**

The market lot for our Company's Equity Shares is one. Our Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

#### **PROCEDURE FOR APPLICATION**

##### **How to Apply**

The Application Form will be printed in black ink for all Eligible Equity Shareholders and Eligible Employees. The Application Form along with the Abridged Letter of Offer shall be dispatched through registered post or speed post at least three days before the Issue Opening Date.

In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrars to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Eligible Equity Shareholder(s) and Eligible Employees does not match with the specimen registered with the Depository Participant or our Company, the Application is liable to be rejected.

In case the original EAF is not received or is misplaced, the Eligible Employees may request the Registrar to the Issue, for issue of a duplicate EAF, by furnishing the employee identification number and PAN and their full name and address.

Neither the Company nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the Application Form/duplicate Application Form attributable to postal delays or if the Application Form/duplicate Application Form are misplaced in the transit. The request for a duplicate Application Form should reach the Registrar to the Issue within seven days from the Issue Opening Date. Investors should note that those who are making the Application in such duplicate Application Form should not utilize the original Application Form for any purpose, including renunciation, even if the original Application Form is received or found subsequently. If any Investor violates any of these requirements, they shall face the risk of rejection of both Applications.

**Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI circular dated December 30, 2009. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000. The Investors who are (i) not QIBs; (ii) not Non- Institutional Investors; or (iii) investors whose application amount is not more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non ASBA process.**

**Accordingly, an eligible ASBA Investor is an Investor who:**

- holds the Equity Shares in dematerialised form as on the Record Date and has applied towards his/her Rights Entitlements or additional Rights Equity Shares in the Issue in dematerialised form;
- has not renounced his/her Rights Entitlements in full or in part;
- is not a Renouncee; and
- applies through a bank account maintained with one of the SCSBs.

**Notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are Individuals) shall apply in the Issue only through the non-ASBA process.**

Retail Individual Investors and Eligible Employees may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

#### ***Resident Eligible Equity Shareholders***

Applications should be made only on the CAF enclosed with the Letter of Offer. The CAF should be complete in all respects, as explained in the instructions indicated in the CAF. An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue – Application on Plain Paper*”.

#### ***Non-Resident Eligible Equity Shareholders***

The Non-Resident Indian shall be sent CAF at their Indian address only as per Company records. Other Non Resident Indian applicants can obtain the CAF from the Registrar to the Issue or Registered office of the Company. Application should be made only on the CAF. The CAF should be complete in all respects, as explained in the instruction indicated in the CAF. An Eligible Non Resident Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue – Application on Plain Paper*”.

#### ***Eligible Employees***

Eligible Employees shall be sent numbered EAFs. Applications should be made only on the EAF enclosed with the Abridged Letter of Offer. The EAF should be completed in all respects, as explained in the instructions indicated in the EAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by our Bank at any offices except in the case of postal applications as per instructions given in the Letter of Offer.

Eligible Employees can also apply through the ASBA. For details see “Procedure for Application through the Applications Supported by Blocked Amount (“ASBA”) Process” at page 292. ASBA Investors shall be required to indicate in the EAF as to whether they desire to avail of the ASBA option.

#### **The CAF consists of four parts:**

- Part A: Form for accepting the Rights Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Rights Equity Shares;
- Part B: Form for renunciation of Rights Equity Shares;
- Part C: Form for application of Rights Equity Shares by Renouncee(s); and Part D: Form for request for SAFs.

#### **Options available to the Eligible Equity Shareholders**

The CAFs will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to and shall have the following options:

- Apply for his Rights Entitlement in full;
- Apply for his Rights Entitlement in part (without renouncing the other part);
- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Apply for his Rights Entitlement in part and renounce the other part of the Rights Equity Shares; and
- Renounce his Rights Entitlement in full.

#### **Option available to the Eligible Employees**

Applications by Eligible Employees applying under the Employee Reservation Portion should be made only on the EAF.

The Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 200,000. It is clarified that the Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

## Renunciation

Any renunciation (i) from a resident Indian Eligible Equity Shareholder to a Non Resident, or (ii) from a Non Resident Eligible Equity Shareholder to a resident Indian, or (iii) from a Non Resident Eligible Equity Shareholder to a Non Resident, in light of the RBI Notification No. FEMA 20/2000-RB dated May 03, 2000, would not require approval from RBI, if such renunciation is made on the floor of the exchange, provided that in case of any renunciation from a resident Indian Equity Shareholder to a Non Resident, the offer price for the Rights Equity Shares should not be less than the price at which an offer is made to the resident Eligible Equity Shareholder. Any renunciation through a private arrangement would be subject to applicable pricing requirements prescribed by the RBI and/or seeking appropriate approvals from the RBI in this regard.

**However, the right of renunciation is subject to the express condition that the Board shall be entitled, in its absolute discretion, to reject the request from the renounees for the allotment of Rights Equity Shares without assigning any reason thereof.**

**Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue. Any application made other than through the EAF by an Eligible Employee is liable to be rejected.**

### Procedure for renunciation

#### *To renounce all the Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee*

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renounees, all joint Renounees must sign Part 'C' of the CAF. You cannot renounce the Rights Entitlement, in full or in part, in favour of an ASBA Investor.

#### *To renounce in part/ or renounce the whole to more than one person(s)*

**If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms.** Please indicate your requirement of Split Application Forms, ("SAFs"), in the space provided for this purpose in 'Part D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs, i.e. [●]. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. In case the signature of the Eligible Equity Shareholder(s), who has renounced the Rights Equity Shares, does not match with the specimen registered with our Company, the application is liable to be rejected.

#### *Renounee(s)*

The person(s) in whose favour the Rights Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to any of the collection branches of the Bankers to the Issue as mentioned in the reverse of the CAF on or before the Issue Closing Date along with the Application Money in full. The Renounee cannot further renounce. Renounees cannot participate in the ASBA process. Eligible Equity Shareholders renouncing their Rights Entitlement in whole or in part will not be eligible to participate through ASBA.

### Change and/or introduction of additional holders

If you wish to apply for Rights Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above, shall have to be followed.

The right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for allotment from the Renounee(s) without assigning any reason thereof. All such applications from Renounees shall have to be made through the non-ASBA process only to be considered valid for allotment. Please also see section titled "*Terms of the Issue – Basis of Allotment*" on page 300 of this DLOF.

Your attention is drawn to the fact that our Company shall not allot and/ or register any Equity Shares in favour of:

- More than three persons including joint holders;
- Partnership firm(s) or their nominee(s);
- Minors;
- Hindu Undivided Family;
- Any trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitutions to hold equity shares of a company); or
- Any person situated or subject to jurisdiction where the offering in terms of this Letter of Offer could be illegal or requires compliance with securities laws.

Eligible Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

### **Additional Rights Equity Shares**

You are eligible to apply for additional Rights Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Renouncee(s), applying for all Rights Equity Shares renounced in their favour, can also apply for additional Rights Equity Shares in the Issue. Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to applicable sectoral caps, and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under the section titled “*Terms of the Issue – Basis of Allotment*” on page 300 of this DLOF. If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. Where the number of additional Rights Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

For Rights Equity Shares being offered under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than [●] Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional Rights Entitlements are being ignored would be given preference in allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares. For further details please refer to the section titled “*Terms of the Issue – Basis of Allotment*” on page 300 of this DLOF.

**It is clarified that the Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹2,00,000.**

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion would be added to the Net Issue. However, in case there is under-subscription in the Net Issue, the unsubscribed portion would not be met with spill over from over-subscription under the Employee Reservation Portion.

### **Applications by Overseas Corporate Bodies**

By virtue of the Circular No. 14 dated September 16, 2003, issued by the RBI, Overseas Corporate Bodies (“OCBs”), have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to OCBs) Regulations, 2003. Accordingly, the existing Eligible Equity Shareholders of our Company who do not wish to subscribe to the Rights Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not be able to renounce the same (whether for consideration or otherwise), in favour of OCB(s).

The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003, that OCBs which are incorporated and are not and were not at any time subject to any adverse notice from the RBI, are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000, under the foreign direct investment scheme with the prior approval of Government of India if the investment is through the government approval route and with the prior approval of RBI if the investment is through automatic route on case by case basis. Eligible Equity Shareholders

renouncing their rights in favour of such OCBs may do so provided such Renouncee obtains a prior approval from the RBI. On submission of such RBI approval to our Company at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

### Instructions for Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Rights Equity Shares offered, by using the CAF as detailed herein:

| #  | Option Available   | Action Required   |
|----|--|---|
| 1. | Accept whole or part of your Rights Entitlement without renouncing the balance   | Fill in and sign Part A ( <i>all joint holders must sign</i> )  |
| 2. | Accept your Rights Entitlement in full and apply for additional Rights Equity Shares   | Fill in and sign Part A including 'Block III' relating to the acceptance of Rights Entitlement and 'Block IV' relating to additional Rights Equity Shares ( <i>all joint holders must sign</i> )  |
| 3. | Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s)<br><br><b>OR</b><br><br>Renounce your Rights Entitlement to all the Rights Equity Shares offered to you to more than one Renouncee | Fill in and sign Part D ( <i>all joint holders must sign</i> ) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for the receipt of requests for Split Application Forms. Splitting will be permitted only once.<br><br><b>On receipt of the Split Application Form take action as indicated below.</b><br><br>a) For the Rights Equity Shares you wish to accept, if any, fill in and sign Part A.<br>b) For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Equity Shares renounced and hand it over to the Renouncees.<br>c) Each of the Renouncees should fill in and sign Part C for the Rights Equity Shares accepted by them. |
| 4. | Renounce your Rights Entitlement in full to one person (Joint Renouncees are considered as one)  | Fill in and sign Part B (all joint holders must sign) indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (All joint Renouncees must sign).   |
| 5. | Introduce a joint holder or change the sequence of joint holders.  | This will be treated as a renunciation. Fill in and sign Part B and the Renouncees must fill in and sign Part C.  |

### Please note that:

- Options 3 – 5 will not be available to Eligible Equity Shareholders applying through the ASBA process.
- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders. If used, this will render the Application invalid.
- EAF must not be used by any person(s) other than Eligible Employees. If used this will render the Application invalid.**
- Request for SAF should be made for a minimum of one Rights Equity Share or, in multiples thereof and one SAF for the balance Rights Equity Shares, if any.
- Request by the Eligible Equity Shareholder(s) for the SAF should reach the Registrar to the Issue on or before [●].

- Only the Eligible Equity Shareholders, to whom the Letter of Offer and/ or Abridged Letter of Offer has been addressed to and not the Renouncee(s), shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split Application Forms will be sent to the Investor(s) by post at the Applicant's risk.
- While applying for or renouncing their Rights Entitlement, joint Eligible Equity Shareholders must sign the CAF in the same order and as per specimen signatures recorded with our Company/ the Depositories.
- Eligible Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Rights Equity Shares or Rights Entitlement under applicable securities laws.
- In the case of a renunciation, the submission of the CAF to the Banker to the Issue at the collecting branches specified on the reverse of the CAF together with Part B of the CAF duly completed shall be conclusive evidence of the right of the person applying for the Rights Equity Shares to receive allotment of such Rights Equity Shares.
- *Non-resident Eligible Equity Shareholders:* Application(s) received from Non-Resident/ NRIs, or persons of Indian origin residing abroad for allotment of Rights Equity Shares allotted as a part of this Issue shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- Applicants must write their Application Form number at the back of the cheque/demand draft.
- The RBI has mandated that CTS 2010 standard non-compliant cheques can be presented in clearing only in reduced frequency, specifically once a week, on Mondays of every week from November 2014 onwards. This would have an impact on timelines for the issuance of final certificates, hence the Application Form accompanied with non-CTS cheques could get rejected.

#### **Availability of duplicate Application Form**

In case the original CAF is not received, or is misplaced by the Eligible Equity Shareholder, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 7 (seven) days prior to the Issue Closing Date. In case the signature of the Eligible Equity Shareholder(s) does not match with the specimen registered with our Company or the DP, the Application is liable to be rejected. In case the original EAF is not received or is misplaced, the Eligible Employees may request the Registrar to the Issue, for issue of a duplicate EAF, by furnishing the employee identification number and PAN and their full name and address.

Please note that those who are making the application in the duplicate form should not utilize the original Application Form for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of either original Application Form or both the applications. Our Company or the Registrar to the Issue or the Lead Manager will not be responsible for postal delays or loss of duplicate Application Form in transit, if any.

#### **Application on Plain Paper**

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an account payee cheque drawn on a local bank at [●] or demand draft/ pay order (net of bank and postal charges) payable at [●], which should be drawn in favour of "[●] - Rights Issue - R" in case of resident shareholders/Investors and shareholders/Investors applying on non-repatriable basis or "[●] - Rights Issue - NR" in case of non-resident shareholders applying on repatriable basis and the Eligible Equity Shareholders should **send the same by registered post / speed post directly to the Registrar to the Issue**. The envelope should be superscribed "[●] -

*Rights Issue - R*” in case of resident shareholders/Investors or shareholders/Investors applying on non-repatriable basis or “[●] - *Rights Issue - NR*” in case of non-resident shareholders/Investors applying on repatriable basis **and should be postmarked in India.**

The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Company/Depositories, must reach the office of the **Registrar to the Issue before the Issue Closing Date** and should contain the following particulars:

- Name of the Company, being Vardhman Special Steels Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID No.;
- Number of Equity Shares held as on Record Date;
- Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
- Allotment option preferred - physical or demat form, if held in physical form;
- Number of Rights Equity Shares entitled to;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;
- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of ₹ 50 per Rights Equity Share;
- Particulars of cheque/demand draft/pay order;
- In case of Equity Shares allotted in physical form, Savings/Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order. In case of Equity Shares held in dematerialized form, the Registrar shall obtain the bank account details from the information available with the Depositories;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
- If the payment is made by a draft purchased from NRE/FCNR/NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/NRO account;
- Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Company/Depositories); and
- Additionally, all such Applicants are deemed to have accepted the following:

"I/ We understand that neither the Rights Entitlement nor the Rights Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (the "**US Securities Act**") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "**United States**") or to or for the account or benefit of a "U.S. Person" as defined in Regulation S of the US Securities Act ("**Regulation S**"). I/ we understand the Rights Equity Shares referred to in this application are being offered in India but not in the United States.

I/ we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Rights Equity Shares or Rights Entitlement in the United States. Accordingly, I/ we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that none of us, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who, we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Rights Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence."

Please note that Eligible Equity Shareholders who are making an application otherwise than on a CAF, (i.e., on

plain paper as stated above on page 285 of this DLOF), shall not be entitled to renounce their rights and should not utilize the CAF for any purpose, including renunciation, even if it is received subsequently. If the Eligible Equity Shareholder does not comply with any of these requirements, he/she shall face the risk of rejection of both the applications and the Application Money received shall be refunded. However, our Company and/or any Director of our Company or the Lead Manager will, notwithstanding anything to the contrary contained herein, not be liable to pay any interest whatsoever on the Application Money so refunded.

The Eligible Equity Shareholders are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected, with our Company, the Lead Manager and the Registrar to the Issue will not having any liability to such Eligible Equity Shareholders.

**ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.**

**PLEASE NOTE THAT ELIGIBLE EMPLOYEES CANNOT MAKE AN APPLICATION TO SUBSCRIBE UNDER THE EMPLOYEE RESERVATION PORTION ON PLAIN PAPER. ELIGIBLE EMPLOYEES MAY APPLY IN THE ISSUE ONLY BY SUBMITTING THE EAF. ANY APPLICATION MADE OTHER THAN THROUGH THE EAF BY AN ELIGIBLE EMPLOYEE SHALL BE LIABLE TO BE REJECTED.**

#### **Last date of Application**

The last date for submission of the duly filled in Application Form or the plain paper Application is [●]. Our Board or any Committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the Application Form together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Rights Equity Shares hereby offered, as provided under the section titled "*Terms of the Issue - Basis of Allotment*" beginning on page 300 of this DLOF.

#### **Modes of Payment**

**In terms of the RBI circular (No. DPSS.CO.CHD.No./133/04.07.05/2013-14) dated July 16, 2013, non-CTS cheques will be processed in three CTS centres once a week from November 1, 2014 onwards. Investors are advised to use CTS cheques or use the ASBA facility to make payment. Investors are cautioned that Application Form accompanied by non-CTS cheques are liable to be rejected due to any delay in clearing beyond 6 (six) working days from the Issue Closing Date.**

#### **Mode of payment for Resident Investors**

- Investors who are applying through Application Form and residing at places where the bank collection centres have been opened for collecting applications, are requested to submit their applications at the corresponding collection centre together with cheque/demand draft drawn on any bank (including a co-operative bank), for the full application amount favouring "[●] - Rights Issue - R" and marked 'A/c Payee only'.
- **Investors who are applying through Application Form and residing at places other than places where the bank collection centres have been opened for collecting applications, are requested to send their applications together with a cheque drawn on a local bank at [●] or demand drafts/pay order, net of bank and postal charges, payable at [●] favouring "[●] - Rights Issue - R" and marked 'A/c Payee only' directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.**
- Investors who are applying on plain paper, are requested to send their applications on plain paper together with cheque drawn on a local bank at [●] or demand drafts/pay order, net of bank and postal charges, payable at

[●] crossed account payee favouring “[●] - Rights Issue - R” and marked ‘A/c Payee only’ directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

### **Mode of payment for Non-Resident Investors**

#### ***Application with Repatriation Benefits***

Investors who are Non-Resident Eligible Equity Shareholders and are applying on a repatriation basis, are required to submit the completed Application Form or application on plain paper, as the case may be, along with the payment made through any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at [●] or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate).
- By demand drafts for the full Application Money (net of bank and postal charges), payable at [●] remitted through normal banking channels or out of funds held in Non-Resident External Account (NRE) or FCNR Account maintained with banks authorized to deal in foreign currency in India, along with documentary evidence in support of remittance.
- FPIs must remit funds from special non-resident rupee deposit account.
- For Eligible Equity Shareholders / Investors, applying through CAF, the CAF is to be sent at the bank collection centre specified in the CAF along with local cheques/demand drafts in favour of “[●]- Rights Issue - NR” and crossed ‘A/c Payee only’ for the amount payable.
- For Eligible Equity Shareholders / Investors, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with demand drafts for the full Application Money (net of bank and postal charges), payable at [●] in favour of “[●]- Rights Issue - NR” and crossed ‘A/c Payee only’ for the amount payable so as to reach them on or before the Issue Closing Date.
- For Eligible Equity Shareholders/ Investors applying through CAF but not residing at places where the collection centre is located, shall send the CAF to the Registrar to the Issue by registered post along with demand drafts for the full Application Money (net of bank and postal charges), payable at [●] in favour of “[●] Right Issue NR” and crossed ‘A/c Payee only’ for the amount payable so as to reach them on or before the Issue Closing Date.

A separate cheque or demand draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the Application Form. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the Application Form. In the case of NRIs who remit their Application Money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the Investor’s bankers.

#### **Payments through Non Resident Ordinary Account (NRO account) will not be permitted in applications made with repatriation benefits.**

Our Company, the Registrar to the Issue or our Banker to the Issue will not be responsible for postal delays or loss of application in transit, if any. Application by mail should not be sent in any other manner except as mentioned above.

### ***Application without repatriation benefits***

For non-residents Eligible Equity Shareholders/Investors applying on a non-repatriation basis, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained and can be deposited at the designated collection centres opened by our Company or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at [●]. In such cases, the allotment of Rights Equity Shares will be on non-repatriation basis.

For Non Resident Equity Shareholders/ Investors, applying through Application Form, the Application Form is to be sent at the bank collection centre specified in the Application Form along with cheque drawn on a local bank at [●] or demand drafts net of bank and postal charges, payable at [●] in favour of “[●] - Rights Issue - R” and crossed ‘A/c Payee only’ for the amount payable.

For Non Resident Eligible Equity Shareholders/ Investors, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with cheque drawn on a local bank at [●] or demand drafts net of bank and postal charges, payable at [●] in favour of “[●] - Rights Issue - R” to be confirmed for so as to reach them on or before the Issue Closing Date.

**For Non Resident Eligible Equity Shareholders/ Investors applying through Application Form but not residing at places where the collection centre is located, shall send the Application Form to the Registrar to the Issue by registered post along with cheque drawn on a local bank at [●] or demand drafts net of bank and postal charges payable at [●] in favour of “[●] - Rights Issue - R” for the amount payable so as to reach them on or before the Issue Closing Date.**

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the Application Form. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New dematerialised accounts must be opened for Eligible Equity Shareholders who have had that change in status from resident Indian to NRI. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of application in transit, if any, on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mails should not be sent in any other manner except as mentioned above.

**The Application Form along with the Application Money must not be sent to our Company or the Lead Manager. Investors are requested to strictly adhere to these instructions. Renounees who are NRIs/FPis/Non-Resident should submit their respective applications either by hand delivery or by registered post / speed post with acknowledgement due to the Registrar to the Issue only along with cheque drawn on a local bank at [●] or demand drafts net of bank and postal charges, payable at [●] so that the same are received on or before the closure of the Issue.**

### **General instructions for Non-ASBA Investors**

- Please read the instructions printed on the enclosed Application Form carefully.
- Applicants that are not QIBs or are not Non – Institutional Investor or those whose Application Money does not exceed ₹ 200,000 may participate in the Issue either through ASBA or the non-ASBA process. Eligible Equity Shareholders who have renounced their entitlement (in full or in part), Renounees and Applicants holding Equity Shares in physical form and/or subscribing in the Issue for Allotment in physical form may participate in the Issue **only** through the non ASBA process.
- Application should be made on the printed Application Form, provided by our Company or a plain paper Application and should be completed in all respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The Application Form must be filled in English and the names of all the applicants, details of occupation, address, father’s/ husband’s name must be filled in block letters.
- The Application Form together with cheque/ demand draft should be sent to the Banker(s) to the Issue or to the Registrar to the Issue, and not to our Company, the Lead Manager. Resident applicants residing at places other

than cities where the branches of the Banker(s) to the Issue have been authorised by our Company for collecting Applications, will have to make payment by crossed account payee cheques drawn on a local bank at [●] or demand draft/ pay order (net of bank and postal charges) payable at [●], crossed account payee only and marked “[●].” and send their Application Form to the Registrar to the Issue by registered post/ speed post. If any portion of the Application Form is/ are detached or separated, such Application is liable to be rejected.

- Each of the applicants should mention his/ her PAN allotted under the IT Act along with the Application for the purpose of verification of the number. Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, **Application Form without the PAN details will be considered incomplete and are liable to be rejected.**
- Investors holding Equity Shares in physical form, are advised to provide information as to their savings/ current account number, the nine digit MICR number and the name of the bank, branch with whom such account is held in the Application Form to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected.
- All payment should be made by cheques/ demand draft only. **Cash payment is not acceptable.** In case payment is effected in contravention of this, the Application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the Application Form or the plain paper Application as per the specimen signature recorded with our Company and the Depositories.
- In case of an Application under a power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the Application and a certified true copy of the memorandum and articles of association and/ or bye-laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the Application Form. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the Application is liable to be rejected.
- In case of joint holders, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint applicants who are Renouneecees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant’s name and all communication will be addressed to the first applicant.
- Application(s) received from Non Residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, dispatch of share certificates, etc. In case a Non Resident Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form.
- All communication in connection with Application for the Rights Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the Allotment Date quoting the name of the first/ sole applicant Eligible Equity Shareholder, folio numbers and Application Form number. Please note that any intimation for change of address of Eligible Equity Shareholders, after the Allotment Date, should be sent to the Registrar and Share Transfer Agent, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialised form.
- SAFs cannot be re-split.
- Only the person or persons to whom Rights Equity Shares have been offered and not Renouneece(s) shall be entitled to obtain Split Application Forms.
- Applicants must write their Application Form number at the back of the cheque/ demand draft.
- A separate cheque/ demand draft must accompany each Application Form. Outstation cheques/ demand drafts or post- dated cheques and postal/ money orders will not be accepted and Applications accompanied by such cheques/ demand drafts/ money orders or postal orders will be rejected. The Registrar will not accept payment against Application if made in cash.
- No receipt will be issued for Application Money received. The Banker(s) to the Issue/ Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the Application Form.
- Our Company shall not allot and/ or register any Rights Equity Shares in favour of any person situated or subject to any jurisdiction where the offering in terms of this Letter of Offer could be illegal.

- The distribution of Letter of Offer and issue of Rights Equity Shares under the Issue and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for the Rights Equity Shares.
- Investors are requested to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limit under applicable laws.

***Do's for non-ASBA Investors:***

- Check if you are eligible to apply, i.e. you are an Eligible Equity Shareholder or an Eligible Employee;
- Read all the instructions carefully and ensure that the cheque/demand draft option is selected in part A of the CAF/EAF and necessary details are filled in;
- In the event you hold Equity Shares in dematerialised form or being an Eligible Employee, wish to obtain the Equity Shares in dematerialised form, ensure that the details about your DP and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be allotted in the dematerialised form only;
- Ensure that your Indian address is available to our Company and the Registrar and Transfer Agent, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- Ensure that the value of the cheque/demand draft submitted by you is equal to the (number of Rights Equity Shares applied for) X (Issue Price of Rights Equity Shares, as the case may be) before submission of the Application Form;
- Ensure that you receive an acknowledgement from the collection centres of the collection bank for your submission of the Application Form in physical form;
- Ensure that you mention your PAN allotted under the IT Act with the Application Form, except for Applications on behalf of the Central and State Governments, residents of Sikkim and officials appointed by the courts;
- Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the DP. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form; and
- Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts for non-ASBA Investors:***

- Do not apply on duplicate Application Form after you have submitted a Application Form to a collection centre of the Banker(s) to the Issue;
- Do not pay the amount payable on Application in cash, by money order or by postal order;
- Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground;
- Do not submit an Application accompanied with Stockinvest; or
- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

**Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all Applicants that are QIBs, Non-Institutional Investors and Non Retail Individual Investors whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA Process.**

**Grounds for Technical Rejections for non-ASBA Investors**

Investors are advised to note that Applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the Application Money payable;
- Bank account details (for refunds) are not given and the same are not available with the DP (in the case of Equity Shares held in dematerialised form) or the Registrar and Transfer Agent (in the case of Equity Shares held in physical form);
- Age of the first applicant not given (in case of Renouncees);

- Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, PAN details not given;
- PAN in Application Form not matching the PAN in the DP ID;
- In case of Application Form under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for Renounees and eligible employees if the signature does not match with the records available with their depositories;
- If the applicant desires to have Rights Equity Shares in electronic form, but the Application Form does not have the applicant's depository details.
- Application Form is not submitted by the applicants within the time prescribed as per the Application Form and Letter of Offer;
- Application Form not duly signed by the sole/ joint applicants;
- Application Form by OCBs unless accompanied by specific/general approval from the RBI permitting such OCBs to invest in the Issue;
- Application Form accompanied by Stockinvest/ outstation cheques/ post – dated cheques/ outstation money orders/ postal orders/ outstation demand drafts;
- Application Form that do not include the certifications set out in the Application Form to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Rights Equity Shares under the Issue in compliance with all applicable laws and regulations;
- Application Form which have evidence of being executed in/dispatched from restricted jurisdictions;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the DP ID and the beneficiary's identity;
- Application Form by ineligible Non Residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- Renounee Application either from R to NR, NR to R and NR to NR not accompanied by the RBI approvals (where required) are liable to be rejected
- Multiple Application Forms, including where an applicant submits a Application Form and a plain paper Application;
- Duplicate Applications;
- Applications by Eligible Employees, other than under the Employee Reservation Portion. However, Eligible Equity Shareholders who are Eligible Employees may also apply under Employee Reservation Portion. In such a case, application under the Employee Reservation Portion and application under the Net Issue shall not be considered as multiple applications;
- Applications by Eligible Employees, other than through the EAF;
- Applications by Eligible Employees where the total consideration for Equity Shares applied for exceeds ₹ 200,000;
- In case the GIR number is submitted instead of the PAN;
- Applications by persons (including Renounees, Eligible Employees) not competent to contract under the Contract Act, 1872, as amended, except Application by minors having valid demat accounts as per the Demographic Details provided by the Depositories.
- Non-ASBA Applications made by QIBs and Non Institutional Investors who satisfy the ASBA Investor Eligibility Criteria.
- The Application by an Eligible Equity Shareholder whose cumulative value of Rights Equity Shares applied for is more than ₹ 200,000 and has not done so through the ASBA process.
- Submission of Application Form to SCSBs.

Please read Letter of Offer and the instructions contained therein and in the Application Form carefully before filling in the Application Form. The instructions contained in the Application Form are an integral part of the Letter of Offer and must be carefully followed. The Application Form is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the Application Form.

#### **Procedure for Application through the Applications Supported by Blocked Amount ("ASBA") Process**

*This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager is not liable for any amendments or modifications or changes in*

*applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the Application Form is correctly filled up.*

*The Lead Manager, the Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.*

**Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI circular dated December 30, 2009. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000.**

**Accordingly, an eligible ASBA Investor is an Investor who:**

- holds the Equity Shares in dematerialised form as on the Record Date and has applied towards his/her Rights Entitlements or additional Rights Equity Shares in the Issue in dematerialised form;
- has not renounced his/her Rights Entitlements in full or in part;
- should not have split the CAF.
- is not a Renouncee; and
- applies through a bank account maintained with one of the SCSBs.

Retail Individual Investors may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

Further, in terms of the SEBI circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues/ rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>. For details on Designated Branches of SCSBs collecting the Application Form, please refer the above mentioned link.

#### **CAF**

The Registrar to the Issue will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Investors who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Investors desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSBs who provide such facility. The Investors shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said ASBA Account.

More than one (1) ASBA Investor may apply using the same ASBA Account, provided that the SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account.

#### **EAF**

The Registrar to the Issue will dispatch the EAF to all Eligible Employees on the Record Date.

Eligible Employees desiring to use the ASBA process are required to submit their Applications by selecting the ASBA option in the EAF. Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Employees shall submit the EAF to the SCSB for authorising such SCSB to block an amount equivalent to the Application Money in the said bank account maintained with the same SCSB.

Please note, not more than five ASBA Applications can be submitted per bank account in the Issue. Eligible Employees applying under the ASBA process are also advised to ensure that the EAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on Application as stated in the EAF will be blocked by the SCSB.

### **Acceptance of the Issue**

You may accept the Issue and apply for the Rights Equity Shares either in full or in part, by filling Part A of the respective Application Forms sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard. Investors at centres not covered by the branches of the Banker to the Issue can send their Application Forms together with the cheque drawn at par on a local bank at [●] demand draft payable at [●] to the Registrar to the Issue by registered post / speed post so as to reach the Registrar to the Issue prior to the Issue Closing Date. Please note that neither the Company nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the Application Form attributable to postal delays or if the Application Form is misplaced in transit. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Eligible Employees may apply in the Issue by filling of EAF and submit the same along with the Application Money payable to the Bankers to the Issue at any of the collection branches as mentioned on the reverse of the EAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board thereof in this regard.

For further details on the mode of payment, please see the headings “*Mode of Payment for Resident Equity Shareholders/ Investors*” and “*Mode of Payment for Non-Resident Equity Shareholders/ Investors*” on page 287 of this Letter of Offer.

### **Renunciation under the ASBA Process**

ASBA Investors can neither be Renounees, nor can renounce their Rights Entitlement. Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

### **Mode of Payment - ASBA**

The Investor applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the Application Form until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue’s instruction from the ASBA Account. This amount will be transferred in terms of the ICDR Regulations, into the separate bank account maintained by the Company for the purpose of the Issue. The balance amount remaining after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue to the respective SCSB.

The Investor applying under the ASBA Process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the Application Form.

The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on application mentioned in the Application Form. Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds.

### Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Investors is presented below. You may exercise any of the following options with regard to the Rights Equity Shares, using the respective Application Forms received from Registrar:

| #  | Option Available   | Action Required  |
|----|--|--|
| 1. | Accept whole or part of your Rights Entitlement without renouncing the balance       | Fill in and sign Part A ( <i>all joint holders must sign</i> )   |
| 2. | Accept your Rights Entitlement in full and apply for additional Rights Equity Shares | Fill in and sign Part A including 'Block III' relating to the acceptance of Rights Entitlement and 'Block IV' relating to additional Rights Equity Shares ( <i>all joint holders must sign</i> ) |

**The Investors applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the Designated Branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAFs would be treated as if the Investor has selected to apply through the ASBA process option.**

### Options available to the Eligible Employees applying under the ASBA process

The Eligible Employees applying under the ASBA process will need to select the ASBA process option in the EAF and provide required details. However, in cases where this option is not selected, but the EAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that EAF would be treated as if the Eligible Employee has selected to apply through the ASBA process option.

### Renunciation under the ASBA process

Renounees cannot participate in the ASBA process.

### Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. Eligible Equity Shareholders shall submit the plain paper application to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. **Applications on plain paper will not be accepted from any address outside India.**

The envelope should be super scribed “[●] - Rights Issue - R” or “[●] - Rights Issue - NR” and should be postmarked in India. The application on plain paper, duly signed by the Eligible Equity Shareholders including joint holders, in the same order and as per the specimen recorded with the Company/Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

1. Name of the Company, being Vardhman Special Steels Limited;
2. Name and address of the Eligible Equity Shareholder including joint holders;
3. Registered Folio Number/ DP and Client ID No.;
4. Number of Equity Shares held as on Record Date;
5. Number of Rights Equity Shares entitled to;
6. Number of Rights Equity Shares applied for;
7. Number of additional Rights Equity Shares applied for, if any;
8. Total number of Rights Equity Shares applied for;
9. Total amount paid at the rate of ₹ [●] per Rights Equity Share;
10. Details of ASBA Account such as the account number, name, address and branch of the relevant SCSB;
11. In case of non-resident investors, details of the NRE/FCNR/NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;

12. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
13. Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Company/Depositories); and
14. Additionally, all such Applicants are deemed to have accepted the following:

"I/ We understand that neither the Rights Entitlement nor the Rights Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (the "**US Securities Act**") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "**United States**") or to or for the account or benefit of a "U.S. Person" as defined in Regulation S of the US Securities Act ("**Regulation S**"). I/ we understand the Rights Equity Shares referred to in this application are being offered in India but not in the United States.

I/ we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Rights Equity Shares or Rights Entitlement in the United States. Accordingly, I/ we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that none of us, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who, we, the Registrar, the Lead Manager or any other person acting on behalf of we have reason to believe is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Rights Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence."

**ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.**

#### **General instructions for Eligible Equity Shareholders applying under the ASBA Process**

- Please read the instructions printed on the respective Application Form carefully.
- Application should be made on the printed Application Form only and should be completed in all respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The Application Form / plain paper application must be filled in English.
- The Application Form / plain paper application in the ASBA Process should be submitted only at a Designated Branch of the SCSB and whose bank account details are provided in the Application Form and not to the Banker to the Issue/ collecting branch of the Banker(s) to the Issue (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue. The onus of due completion and submission of such ASBA applications shall solely be that of the Investor.
- All Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, **Application Forms / plain paper applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no allotment and credit of Rights Equity Shares shall be made into the accounts of such Investors.**
- All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a

Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF / plain paper application as per the specimen signature recorded with our Company /or Depositories.

- In case of joint holders, all joint holders must sign the relevant part of the Application Form / plain paper application in the same order and as per the specimen signature(s) recorded with our Company. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- All communication in connection with application for the Rights Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole Investor, folio numbers and Application Form number.
- Only the person or persons to whom the Rights Equity Shares have been offered and not renouncee(s) shall be eligible to participate under the ASBA process.
- Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Equity Shares under applicable securities laws are eligible to participate.
- Only the Eligible Equity Shareholders holding shares in demat and Eligible Employees who have a valid demat account are eligible to participate through ASBA process.
- Eligible Equity Shareholders who have renounced their entitlement in part/full are not entitled to apply using ASBA process.
- In case of non – receipt of Application Form, application can be made on plain paper mentioning all necessary details as mentioned under the section titled "*Terms of the Issue - Application on Plain Paper*" beginning on page 285 of this DLOF.
- Non-retail Investors having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, are mandatorily required to make use of ASBA facility, otherwise, Application of such non-retail investor are liable for rejection.

#### **Do's:**

- Ensure that the ASBA Process option is selected in Part A of the CAF and necessary details are filled in In case of non-receipt of the CAF, the Application can be made on plain paper by Eligible Equity Shareholders with all necessary details as required under "*Terms of Issue - Application on Plain Paper*" on page 285. Please note that Eligible Employees cannot make an application to subscribe to the Issue on plain paper. Eligible Employees may apply in the issue only by submitting the EAF. Any application made other than through the EAF by an Eligible Employee shall be liable to be rejected.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Rights Equity Shares will be allotted in the dematerialized form only.
- Ensure that the Application Forms are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application Form.
- Ensure that there are sufficient funds (equal to {number of Rights Equity Shares as the case may be applied for} X {Issue Price of Equity Shares, as the case may be}) available in the ASBA Account mentioned in the Application Form before submitting the Application Form to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.
- Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form.
- Except for Application Forms submitted on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, each Applicant should mention their PAN allotted under the IT Act.
- Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form.
- Ensure that the Demographic Details are updated, true and correct, in all respects.
- Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.

#### **Don'ts:**

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your

jurisdiction.

- Do not apply on duplicate Application Form after you have submitted a Application Form to a Designated Branch of the SCSB.
- Do not pay the amount payable on application in cash, by money order, pay order, postal order, cheque or demand drafts.
- Do not send your physical Application Forms to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- Do not apply if the ASBA account has been used for five Applicants.
- **Do not apply through the ASBA Process if you are not an ASBA Investor.**
- Do not instruct the SCSBs to release the funds blocked under the ASBA Process.

#### Grounds for Technical Rejection under ASBA process

Applications under the ASBA process are liable to be rejected on the following grounds:

- Application on a SAF.
- Application for Allotment of Rights Entitlements or additional Rights Equity Shares which are in physical form.
- DP ID and Client ID mentioned in Application Form not matching with the DP ID and Client ID records available with the Registrar.
- Renounees applying under the ASBA process.
- Submission of an ASBA Application on plain paper to the Registrar to the Issue.
- Sending CAF to a Lead Manager / the Registrar to the Issue/ the Registrar and Transfer Agent/ a Collecting Bank (assuming that such Collecting Bank is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Bank.
- Insufficient funds are available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- Submission of more than five Application Forms per ASBA Account.
- ASBA Account holder not signing the Application Form or declaration mentioned therein.
- QIBs, Non-Institutional Investors and Investors applying for Rights Equity Shares in this Issue for value of more than ₹ 200,000 who hold Equity Shares in dematerialised form and is not a Renouncer or Renounee,, not applying through the ASBA process.
- Application by an Eligible Equity Shareholder whose cumulative value of Securities applied for is more than ₹ 200,000 but has applied separately through split Application Forms of less than ₹ 200,000 and has not done so through the ASBA process.
- Multiple Application Forms, including cases where an Eligible Shareholder submits Application Forms along with a plain paper application.
- Application Forms that do not include the certification set out in the Application Form to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- Applications by persons not competent to contract under the Indian Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.
- The total consideration for Equity Shares applied for by Eligible Employee exceeding ₹200,000
- Submitting the GIR number instead of the PAN.
- Applications by Eligible Equity Shareholders ineligible to make applications through the ASBA process, made through the ASBA process.
- ASBA Bids by SCSBs applying through the ASBA process on own account, other than through an ASBA Account in its own name with any other SCSB.
- Application Form which have evidence of being executed in/ dispatched from restricted jurisdiction.
- Application where our Company believes that the Application is incomplete or acceptance of such Application may infringe applicable legal or regulatory requirements.
- Non-retail investor having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, are mandatorily required to make use of ASBA facility, otherwise, Application of such non-retail investors are liable for rejection.

### **Depository account and bank details for ASBA Investors**

**IT IS MANDATORY FOR ALL THE INVESTORS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR RIGHTS EQUITY SHARES IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY THE INVESTOR AS ON THE RECORD DATE. ALL INVESTORS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. INVESTORS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE APPLICATION FORM/PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.**

**Investors applying under the ASBA Process should note that on the basis of name of these Investors, Depository Participant's name and identification number and beneficiary account number provided by them in the Application Form/plain paper applications, as the case may be, the Registrar to the Issue will obtain from the Depository, demographic details of these Investors such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Investors applying under the ASBA Process should carefully fill in their Depository Account details in the Application Form.**

These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar to the Issue. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Application Forms, the Investors applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Letters intimating Allotment and unblocking or refund (if any) would be mailed at the address of the Investor applying under the ASBA Process as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not allotted to such Investor. Investors applying under the ASBA Process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Investor in the Application Form would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.**

**Note that any such delay shall be at the sole risk of the Investors applying under the ASBA Process and none of the Company, the SCSBs or the Lead Manager shall be liable to compensate the Investor applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such Applications are liable to be rejected.

### **Transfer of Funds**

The Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA bank accounts for (i) transfer of requisite funds to the separate bank account maintained by our Company as per the provisions of Section 40 (3) of the Companies Act, 2013 (ii) rejected / unsuccessful ASBAs.

In case of failure or withdrawal of the Issue, on receipt of appropriate instructions from the Lead Manager through the Registrar to the Issue, the SCSBs shall unblock the bank accounts latest by the next day of receipt of such information.

## Underwriting

Our Company has entered into an underwriting arrangement with [●] vide underwriting agreement dated [●] with respect to the Issue to the extent of 10,00,000 Right Equity Shares of ₹ 50 each aggregating to ₹500 lakhs (i.e. approximately 7.37 % of the issue)

## Issue Schedule

|   |     |
|---|-----|
| <b>Issue Opening Date:</b>                        | [●] |
| <b>Last date for receiving requests for SAFs:</b> | [●] |
| <b>Issue Closing Date:</b>                        | [●] |

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

## Basis of Allotment

### *For Eligible Equity Shareholders*

Subject to the provisions contained in the Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to allot the Rights Equity Shares in the following order of priority:

- Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s), who has/ have applied for the Rights Equity Shares renounced in their favour, in full or in part. Allotment to Non-Resident Renouncees shall be subject to the permissible foreign investment limits applicable to our Company under FEMA.
- For Rights Equity Shares being offered under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than [●] Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional entitlements are being ignored would be considered for Allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares(s). Allotment under this head shall be considered if there are any un-subscribed Rights Equity Shares (including unsubscribed portion of employee reservation portion) after Allotment under (a) above. If the number of Rights Equity Shares required for Allotment under this head is more than number of Rights Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. (For further details, see the section titled "Terms of the Issue – Fractional Entitlements" on page 277)
- Allotment to Eligible Equity Shareholders who having applied for the Rights Equity Shares in full and have also applied for additional Rights Equity Shares. The Allotment of such additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion (including unsubscribed portion of employee reservation portion) after making Allotment in (a) and (b) above. The Allotment of such Rights Equity Shares will be at the sole discretion of the Board/Committee of Directors of our Company in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential Allotment.
- Allotment to the Renouncees, who have applied for the Rights Equity Shares renounced in their favour have also applied for additional Rights Equity Shares, provided there is an under-subscribed portion (including unsubscribed portion of employee reservation portion) after making full Allotment in (a), (b) and (c) above. The Allotment of such additional Rights Equity Shares will be made on a proportionate basis at the sole discretion of our Board or any committee of our Board but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
- Allotment to any other person as our Board may in its absolute discretion deem fit provided there is surplus available after making Allotment under (a), (b), (c), and (d) above, and if there is any unsubscribed portion (including unsubscribed portion of employee reservation portion and subscription by underwriter), the same shall be deemed to be 'unsubscribed' and the decision of the Board in this regard shall be final and binding.

Our Promoter and Promoter Group have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, in compliance with Regulation 10(4) of Takeover Regulations.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Rights Equity Shares in the Issue, along with:

- The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for the Issue, for each successful ASBA;
- The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
- The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

#### *For Eligible Employees*

Eligible Employee must apply for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 200,000.

Applications received from the Eligible Employees shall be grouped together to determine the total demand under the Employee Reservation Portion. If the aggregate demand in this category is less than or equal to [●] Equity Shares, full allocation shall be made to the Eligible Employees to the extent of their demand. If the aggregate demand in this category is greater than [●] Equity Shares, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of [●] Equity Share thereafter.

#### **ONLY ELIGIBLE EMPLOYEES ARE ELIGIBLE TO APPLY UNDER THE EMPLOYEE RESERVATION PORTION.**

However, Eligible Equity Shareholders who are Eligible Employees may also apply under Employee Reservation Portion. In such a case, application under the Employee Reservation Portion and application under the Net Issue shall not be considered as multiple applications.

**It is clarified that the Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹200,000**

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion would be added to the Net Issue. However, in case there is under-subscription in the Net Issue, the unsubscribed portion would not be met with spill over from over-subscription under the Employee Reservation Portion.

**Our Company shall retain no oversubscription.**

#### **Allotment Advices/Refund Orders**

The Company will issue and dispatch Allotment advice/ share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted Rights Equity Shares to the respective beneficiary accounts, if any, within a period of 15 (fifteen) working days from the Issue Closing Date. In case of failure to do so, the Company shall pay interest at such rate and within such time as specified under applicable law.

Investors residing at centres where clearing houses are managed by the RBI will get refunds through National Electronic Clearing Service ("NECS") except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Rights Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 (fifteen) working days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and we issue letter of allotment, the corresponding share certificates will be kept ready within two months from the date of Allotment

thereof or such extended time as may be approved by the competent authority or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

The letter of allotment/ refund order would be sent by registered post/ speed post to the sole/ first Investor's registered address in India or the Indian address provided by the Eligible Equity Shareholders from time to time. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/ first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

In the case of Non-resident Shareholders or Investors who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the Application Form. Subject to the applicable laws and other approvals, in case of Non-resident Shareholders or Investors who remit their Application Money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post / speed post to the address in India of the Non- resident Shareholders or Investors.

**The Letter of Offer/ Abridged Letter of Offer and the Application Form shall be dispatched to only such Non-resident Shareholders who have a registered address in India or have provided an Indian address.**

## Payment of Refund

### Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

- NECS – Payment of refund would be done through NECS for Investors having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
- National Electronic Fund Transfer ("NEFT") – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
- Direct Credit – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
- RTGS – If the refund amount exceeds ₹ 200,000, the investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Application Form. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
- For all other Investors the refund orders will be despatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at

par.

- Credit of refunds to Investors in any other electronic manner, permissible under the banking laws, which are in force, and is permitted by SEBI from time to time.

### **Refund Payment to Non-Residents**

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at [●], refunds will be made in the Indian rupees based on the U.S. dollars equivalent which ought to be refunded. Indian rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned Applicant and the Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the Application Form.

### **Printing of Bank Particulars on Refund Orders**

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

### **Letters of Allotment/Allotment Advice/ Share Certificates/ Demat Credit**

Letters of Allotment/ Allotment advice/ share certificates/demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date. In case our Company issues letters of Allotment/Allotment advice, the relative share certificates will be kept ready within two months from the Allotment Date thereof or such extended time as may be approved under Section 56 of the Companies Act, 2013 or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment/ Allotment advice (if any) to be exchanged later for share certificates. Dispatch of letters of Allotment/ Allotment advice (if any)/ share certificates/ demat credit to Non Resident Allottees will be subject to the any applicable approvals of the RBI. Our Company has appointed Alankit Assignments Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, credit the Rights Equity Shares Allotted in dematerialised form.

### **Option to receive Rights Equity Shares in Dematerialized Form**

Investors shall be allotted the Rights Equity Shares in dematerialized (electronic) form at the option of the Investor. Our Company has signed a tripartite agreement with NSDL and Alankit Assignments Limited on March 30, 2011 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. Our Company has also signed a tripartite agreement with CDSL and Alankit Assignments Limited on April 18, 2011, which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In the Issue, the Allottees who have opted for Rights Equity Shares in dematerialized form will receive their Rights Equity Shares in the form of an electronic credit to their beneficiary account as given in the Application Form, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the Application Form. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Investor's depository account. Application Forms, which do not accurately contain this information, will be given the Rights Equity Shares in physical form. No separate Application Forms for Rights Equity Shares in physical and/ or dematerialized form should be made.

**INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALISED FORM.**

The procedure for availing the facility for Allotment of Rights Equity Shares in the electronic form is as under:

- Open a beneficiary account with any DP (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as is registered in the records of our Company). In case of investors having various folios in our Company with different joint holders, the investors will have to open separate accounts for such holdings. **Those Eligible Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.**
- For Eligible Equity Shareholders already holding Equity Shares in dematerialised form as on the Record Date, the beneficial account number shall be printed on the Application Form. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the Application Form. It may be noted that the Allotment of Rights Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares are not dematerialised. Nonetheless, it should be ensured that the depository account is in the name(s) of the Eligible Equity Shareholders and the names are in the same order as in the records of our Company.
- Responsibility for correctness of information (including applicant's age and other details) filled in the Application Form vis-à-vis such information with the applicant's DP, would rest with the Applicant. Applicants should ensure that the names of the applicants and the order in which they appear in Application Form should be the same as registered with the applicant's DP.
- If incomplete/ incorrect details are given under the heading 'Request for Shares in Electronic Form' in the Application Form, If incomplete/ incorrect beneficiary account details are given in the Application Form, then such shares will be credited to a demat suspense a/c which shall be opened by the Company as specified in the SEBI circular no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009.
- Allotment to investors opting for dematerialised form would be directly credited to the beneficiary account as given in the Application Form after verification. Allotment advice or letters of Allotment, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's DP will provide to him the confirmation of the credit of such Rights Equity Shares to the applicant's depository account.
- Renounees will also have to provide the necessary details about their beneficiary account for Allotment in this Issue. In case these details are incomplete or incorrect, such applications by Renounees are liable to be rejected. The Company may also instead decide to allot the Rights Equity Shares in physical form to such Renounees.
- Non-transferable allotment advice/refund orders will be directly sent to the Investors by the Registrar.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

#### **Procedure for Application by Mutual Funds**

In case of a Mutual Fund, a separate application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple applications provided that the application clearly indicate the scheme concerned for which the application has been made. Applications made by asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. However, allotment to Mutual Funds shall be subject to maximum limits prescribed by SEBI.

#### **Procedure for Application by FPIs and FIIs**

In terms of the FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of the Company's post-Issue equity share capital. Further, in terms of the FEMA Regulations, the total holding by each

FPI shall be below 10% of the total paid-up equity share capital of the Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up equity share capital of the Company.

FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions, which may be specified by the Government from time to time. An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three (3) years for which fees have been paid as per the SEBI FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the FPI Regulations. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

### **Procedure for Applications by AIFs, FVCIs and VCFs**

The VCF Regulations and the FVCI Regulations prescribe, amongst other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the AIF Regulations prescribe, amongst other things, the investment restrictions on AIFs.

As per the VCF Regulations and FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Venture capital funds registered as category I AIFs, as defined in the AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

### **Investment by NRIs**

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the FEMA Regulations. Applications will not be accepted from NRIs in restricted jurisdictions.

**Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/ CFD/ DIL/1/2011 dated April 29, 2011, all Applicants who are QIBs, Non-Institutional Investors or are applying in this Issue for Rights Equity Shares for an amount exceeding ₹ 200,000 shall mandatorily make use of ASBA facility.**

### **Impersonation**

**As a matter of abundant caution, attention of the investors is specifically drawn to the provisions of sub-section 38 of the Companies Act, 2013 which is reproduced below:**

*“Any person who –*

- *makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities, or*
- *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under section 447.”*

The liability prescribed under Section 447 of the Companies Act, 2013 includes imprisonment for a term of not less than six months extending up to ten years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

### **Dematerialized Dealing**

The Company has entered into agreements dated **30/03/2011** and **18/04/2011** with NSDL and CDSL, respectively, and its Equity Shares bear the ISIN INE050M01012.

### **Payment by Stockinvest**

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the stockinvest scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

### **Disposal of Application and Application Money**

The Banker(s) to the Issue/ Registrar to the Issue receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form. Please note that no such acknowledgment will be issued by our Company for the Application Moneys received by us.

In case an Application is rejected, the Application Money received will be refunded to the applicant within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed under applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws in this regard.

For further instruction, please read the Application Form carefully.

### **Utilization of Issue Proceeds**

Our Board declares that:

- The funds received against this Issue will be transferred to a separate bank account.
- Details of all moneys utilised out of this Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such moneys has been utilised.
- Details of all such un-utilised moneys out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such un-utilised moneys have been invested.
- Our Company shall not have recourse to the Issue proceeds until the basis of allotment is approved by the designated stock exchange.

### **Undertakings by our Company**

Our Company undertakes as follows:

- The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
- All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Rights Equity Shares are proposed to be listed will be taken within 7 (seven) working days of finalization of Basis of Allotment.
- The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed in this Letter of Offer shall be made available to the Registrar to the Issue by our Company.
- Where refunds are made through electronic transfer of funds, a suitable communication shall be dispatched to the applicants within 15 (fifteen) days of the Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- The letters of Allotment/ Allotment advice to the NRIs shall be dispatched within the specified time.
- Adequate arrangements shall be made to collect all ASBA Applications and to consider them similar to non ASBA Applications while finalizing the Basis of Allotment.
- No further issue of securities affecting equity capital of our Company shall be made till the securities issued/ offered through this Letter of Offer Issue are listed or till the Application Money are refunded on account of non-listing, under-subscription etc.
- At any given time there shall be only one denomination of Equity Shares of our Company.
- Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

**Important**

- Please read the Letter of Offer carefully before taking any action. The instructions contained in the accompanying Application Form are an integral part of the conditions and must be carefully followed; otherwise the Application is liable to be rejected.
- It is to be specifically noted that this Issue of Rights Equity Shares is subject to the risk factors mentioned in the section titled “*Risk Factors*” on page 12.
- All enquiries in connection with this Letter of Offer, the Letter of Offer or accompanying Application Form and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and superscribed “[●] - *Rights Issue - R*” in case of Resident Investors or Non-Resident Investors applying on non repatriable basis or “[●] - *Rights Issue - NR*” in case of non-resident shareholders applying on repatriable basis on the envelope) to the Registrar to the Issue at the following address:

**Alankit Assignments Limited**

1E/13, Alankit Heights, Jhandewalan Extension

New Delhi- 110055

New Delhi, India

**Contact Person:** Pankaj Goenka / Mahesh Pandey

**Tel:** 011- 41540060-63

**Fax:** 011- 41540064

**Email:** pankajg1@alankit.com; maheshcp@alankit.com

**Website:** www.alankit.in

**Investor Grievance ID:** info@alankit.com

**SEBI Registration No.** INR000002532

**CIN :** U74210DL1991PLC042569

This Issue will be kept open for a minimum period of 15 (fifteen) days. However, the Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

**SECTION IX – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION  
ARTICLES OF ASSOCIATION**

**TABLE 'F' EXCLUDED**

- 1 (a) The regulations contained in the Table marked "F" in Schedule I to the Companies Act, 2013 shall not apply to the Company, except in so far as the same are repeated, contained or expressly made applicable in these Articles or by the said Act.
- (b) The regulations for the management of the Company and for the observance of the members thereto and their representatives, shall, subject to any exercise of the statutory powers of the Company with reference to the deletion or alteration of or addition to its regulations by resolution as pre- scribed or permitted by the Companies Act, 2013, be such as are contained in these Articles.

**Interpretation**

- 2 Unless the context otherwise requires words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these Articles become binding on the Company.
- (1) In these Articles -
- (a) "Act" means the Companies Act, 2013 or any statutory modifications or re-enactments thereof for the time being in force and the term shall be deemed to refer to the applicable section thereof which is relatable to the relevant article in which the set term appears in these articles and any previous Company Law, so far as may be applicable.
- (b) "Articles" means the Articles of Association of the Company as originally framed or as altered from time to time.
- (c) "Board of Directors" or "Board" means the collective body of Directors of the Company.
- (d) "Company" means Vardhman Special Steels Limited.
- (e) "The Directors" means the Directors of the Company including Independent Directors of the Company.
- (f) The "Managing Director" means the Managing Director of the Company.
- (g) "Independent Director" means a Director appointed under Section 149 of the Act.
- (h) "The Office" means the Registered Office of the Company.
- (i) "Register" means the Register of Members of the Company required to be kept under Section 88 of the Act.
- (j) "The Registrar" means the Registrar of the Companies, as defined under Section 396(2) of the Companies Act, 2013.
- (k) "Rules" means the applicable rules for the time being in force as prescribed under relevant sections of the Act.
- (l) "The Secretary" means the Company Secretary.
- (m) "Dividend" includes any Interim Dividend.
- (n) "Month" means calendar month.
- (o) "Year" means a calendar year and "Financial Year" shall have the meaning assigned there to by Section 2(41) of the Act.

- (p) "Seal" means the Common Seal of the Company.
- (q) "Proxy" includes Attorney duly constituted under a Power of Attorney.
- (r) "In writing" and "Written" include printing, lithography and other modes of representing or reproducing words in a visible form.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neuter gender.

Words importing persons include corporations.

- (s) "Exchange" means The Bombay Stock Exchange or The National Stock Exchange of India Limited.
- (t) "Beneficial owner" shall mean beneficial owner as defined in clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.
- (u) "Depositories Act, 1996" shall include Depositories Act, 1996 and any statutory modification or any re-enactment thereof.
- (v) "Depository" shall mean a Depository as defined under Clause (e) of sub section (1) of Section (2) of the Depositories Act, 1996.
- (w) "Member" means a person;
  - "a) Whose name is entered in the Register of Members as holding any share(s) either solely or jointly;
  - "b) Subscribers to the memorandum of the Company; and
  - "c) Beneficial Owner(s) whose names are entered as beneficial owner in the records of the depository."
- (x) "Appellate Tribunal" means the National Company Law Appellate Tribunal constituted under Section 410;
- (y) "Chief Executive Officer" means an officer of a Company, who has been designated as such by it.
- (z) "Chief Financial Officer" means a person appointed as the Chief Financial Officer of a Company.
- (aa) "free reserves" means such reserves which, as per the latest audited balance sheet of a Company, are available for distribution as dividend :  
 Provided that –
  - (i) any amount representing unrealised gains, notional gains or re-valuation of assets, whether shown as a reserve or otherwise, or
  - (ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves ;
- (ab) "Key Managerial Personnel", in relation to a Company, means –
  - (i) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-time Director;
  - (ii) the Company Secretary ;
  - (iii) the Chief Financial Officer ; and
  - (iv) such other officer as may be prescribed ;
- (ac) "Related party", with reference to a Company, means—
  - (i) a director other than Independent Director, or his relative;
  - (ii) a Key Managerial Personnel or his relative;
  - (iii) a firm, in which a Director, Manager or his relative is a partner;
  - (iv) a private Company in which a Director or Manager or his relative is a member or director;
  - (v) a public Company in which a Director or Manager is a director and holds along with his relatives, more than two percent. of its paid-up share capital;
  - (vi) any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;

- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act, Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any Company which is—
  - (A) a holding, subsidiary or an associate Company of such Company; or
  - (B) a subsidiary of a holding Company to which it is also a subsidiary;
  - (ix) such other person as may be prescribed;
- (ad) “relative”, with reference to any person, means any one who is related to another, if—
  - (i) they are members of a Hindu Undivided Family;
  - (ii) they are husband and wife; or
  - (iii) one person is related to the other in such manner as may be pre- scribed;
- (ae) "Tribunal" means the National Company Law Tribunal constituted under Section 408 ;

### **Share Capital & Variation of Rights**

- (3) The Authorised Share Capital of the Company shall be such amounts and be divided into such shares as may, from time to time, be provided in Clause V of the Memorandum of Association with power to increase or reduce the Capital in accordance with the Company's regulations and legislative provisions for the time being in force in that behalf with the power to divide the share capital, whether original or increased or decreased into several classes and attach thereto respectively such ordinary, Preferential special rights & Conditions in such manner as may for the time being be provided by the Regulations of the Company and allowed by law.
- (4) Subject to the provisions of the Act and these Articles, the shares in the Capital of the Company shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such per- sons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.
- (5) Subject to the provisions of the Act and these Articles, the Board may issue and allot shares in the Capital of the Company on payment or part payment for any property or assets of any kind, whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company, in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up, otherwise than for cash, and if so issued shall be deemed to be fully paid up or partly paid up shares, as the case may be.
- (6) Save as permitted by Section 67 of the Act, the funds of the Company shall not be employed in the purchase of or lent on the security of shares in the Company and the Company shall not give directly or indirectly, any financial assistance, whether by way of loan, guarantee, the provision of security or otherwise for the purpose of or in connection with any purchase of or subscription for shares in the Company or any Company of which it may, for the time being, be a subsidiary.

This Article shall not be deemed to affect the power of the Company to enforce repayment of loans to members or to exercise a lien conferred by Article 20.

- (7) The Company shall have power subject to and in accordance with all applicable provisions of Section 68 to purchase/ acquire any of its own securities.
- (8) The Company may issue the following kinds of Shares in accordance with these articles, the Act, the Rules and other applicable laws :
  - (a) Equity Share Capital :
    - (i) with voting rights; and/or
    - (ii) with differential rights as to dividend, voting or otherwise in accordance with the Rules; and
  - (b) Preference Share Capital
- (9) As regards all allotments made from time to time the Directors shall duly comply with Section 39 of the Act.

- (10) a) Subject to the other provisions of these Articles and of the Act, the Company shall have powers to issue preference Shares.
- b) i) The Preference Shares shall confer on the holders thereof, the right to a fixed preferential dividend not exceeding 15% per annum as may be decided by the Board of Directors at the time of issue of Preference Shares, subject to deduction of tax at source, if any, at the prescribed rates, on the capital paid up thereon, and in the event of winding up, the right to repayment of capital and arrears of dividend, whether earned, declared or not, upto the commencement of winding up, in priority to the Equity Shares.
- ii) The Preference shares shall be definitely redeemable at the expire of 20 years from the date of allotment provided, however, that the Company shall have the option to redeem the same earlier.
- iii) The dividend on any shares becoming liable to redemption under the foregoing provisions shall cease to accrue from the date due for redemption thereof.”
- iv) The Company shall be entitled to create a Capital Redemption Reserve Account for the purpose of redeeming the Preference Shares in a manner to be decided by the Board.
- v) The Preference shares shall be redeemed out of Preference Capital Redemption Reserve Account and/or by way of fresh issue of Capital, as may decided by the Board of Directors at the time of issue/allotment of Preference Shares.
- 11 (i) The Company may exercise the powers of the paying commission conferred by the Act, to any person in connection with the subscription to its securities, provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the Rules.
- (ii) The rate or amount of the commission shall not exceed the rate or amount prescribed in the Rules.
- (iii) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.
- (12) The Company cannot issue shares at a discount except issue of sweat equity shares in the manner provided in Section 54 of the Act.
- (13) If, by the conditions of allotment of any shares, the whole or part of the amount of issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the shares or by his executor or administrator.
- (14) The joint-holders of a shares shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.
- (15) Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any shares as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction, or as by statute required, be bound to recognise any equitable or other claim to or interest in such shares on the part of any other person.
- (16) Shares may be registered in the name of any person, Company or other body corporate. Not more than four persons shall be registered as joint- holders of any share. No share shall be allotted to or registered in the name of a minor, person of unsound mind or partnership.
- (16A) The Company shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and/or to offer its fresh shares or buyback its shares in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.
- 17(1) If any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, and whether or not the Company is being wound up, be varied with the consent in writing, of such number of the holders of the issued shares of that class, or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class, or with the sanction of a resolution passed at a

separate meeting of the holders of the shares of that class, as prescribed by the Act.

- 17 (2) To every such separate meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply.
- 17 (3) The Board of the Company as the case may be, may, in accordance with the Act and the Rules, issue further shares to -
- (a) persons who, at the date of offer, are holders of equity shares of the Company; such offer shall be deemed to include a right exercisable by the persons concerned to renounce the shares offered to him or any of them in favour of any other person; or
  - (b) employees under any scheme of employees' stock option; or
  - (c) any persons, whether or not those persons include the persons referred to in clause (a) or clause (b) above.
- 17 (4) A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of preferential offer or private placement, subject to and in accordance with the Act and the rules.
- 17 (5) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu there-with.

#### **Certificates**

- 18 (1) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after allotment or within one month from the date of receipt by the Company of the application for the registration of transfer or transmission or within such other period as the conditions of issue shall provide -
- (a) One certificate for all his shares without payment of any charges; or
  - (b) several certificates, each for one or more of his shares upon payment of such charges as may be fixed by the Board for each certificate after the first.
- 18 (2) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.
- 18 (3) In respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
- 18 (4) A person subscribing to shares offered by the Company shall have the option either to receive certificate for such shares or hold the shares in a dematerialised state with a depository. Where a person opts to hold any share with the depository the Company shall intimate such depository the details of allotment of the share to enable the depository to enter in its records the name of such person as the beneficial owner of that share.
- 18 (5) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the Company a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Board deems adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of fees for each certificate as may be fixed by the Board.
- 18 (6) The Provision of foregoing Articles relating to issue of certificates shall mutatis mutandis apply to issue of certificates for any other securities including debentures (except where the Act otherwise requires) of the Company.
- 18 (7) Notwithstanding anything contained in these Articles, the Board of Directors and/or Committee thereof

may refuse an application for sub-division or consolidation of the share certificate in the denomination of less than 50 equity shares except when such sub-division or consolidation is required to be made to comply with a statutory order or order of competent Court of Law or at the discretion of the Directors in such circumstances as the Directors may think fit.

### **Lien**

- 19 (i) The Company shall have a first and paramount lien—
- (a) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and
  - (b) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Company:

Provided that the Board of Directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

- (ii) The company's lien, if any, on a share shall extend to all dividends payable and bonuses declared from time to time in respect of such shares for any money owing to the Company.
  - (iii) Unless otherwise agreed by the Board, the registration of a transfer of a share shall operate as a waiver of the Company's lien, if any on such share.
- (20) The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien:

Provided that no sale shall be made—

- (a) unless a sum in respect of which the lien exists is presently payable; or
  - (b) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency or otherwise.
- 21 (i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.
- (ii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
  - (iii) The receipt of the Company for the consideration (if any) given for the share on the sale thereof shall (subject, if necessary, to execution of an instrument of transfer or a transfer by relevant system, as the case may be) constitute a good title to the share and the purchaser shall be registered as the holder of the share.
  - (iv) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- 22 (i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- (ii) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.
- (23) In exercising its lien, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or unless required by any statute) be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person, whether a creditor of the registered holder or otherwise. The Company's lien shall prevail notwithstanding that it has received notice of any such claim.
- (24) The provisions of these articles relating to lien shall mutatis mutandis apply to any other securities

including debentures of the Company.

### **Calls on Shares**

- 25 (i) The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the provisions of Section 49 of the Act, make such calls, as the Board thinks fit, upon the members in respect of all moneys unpaid on the shares held by them respectively, and not by the condition of allotment thereof made payable at fixed times.
- (ii) Not less than fourteen day's notice of any call shall be given specifying the time and place of payment, pay to the Company, at the time or times and place so specified, the amount called on his shares.
- (iii) The Board may, from time to time, at its discretion, extend the time fixed for the payment of any call in respect of one or more members as the Board may deem appropriate in any circumstances.
- (iv) A call may be revoked or postponed at the discretion of the Board.
- (26) A Call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by installments.
- (27) The joint holder of the share shall be jointly and severally liable to pay all calls in respect thereof.
- 28 (i) If the amount payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holders for the time being in respect of the shares/debentures for which the call shall have been made or the installment shall be due shall pay interest for the same at such rate as the Board may determine / fix from the day appointed for the payment thereof to the date of actual payment at such rate as may be fixed by the Board.
- (ii) The Board shall be at liberty to waive payment of any such interest either wholly or in part.
- 29 (i) If by the terms of issue of any share or otherwise any amount is made payable upon allotment or at any fixed time or by installments at fixed times, whether on account of the share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Board and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
- (ii) In case of non- payment of such sum, all the relevant provisions of these articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if sum had become payable by virtue of a call duly made and notified.
- (30) The Board:-
- a) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and
- b) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be fixed by the Board. Nothing contained in this clause shall confer on the member a) any right to participate in profits or dividend or b) any voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable by him.
- (31) If by the conditions of allotment of any shares, the whole or part of the amount of issue price thereof shall be payable by installments, then every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, is or shall be registered holder of the share or the legal representative of a deceased registered holder.
- (32) All calls shall be made on uniform basis on all shares falling under the same class.  
 Explanation: Shares of the same nominal value on which different amounts have been paid -up shall not be deemed to fall under same class.
- (33) Neither the judgement nor a decree in favour of the Company for calls or other moneys due in respect of

any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided.

- (34) The provisions of these articles relating to calls shall mutatis mutandis apply to any other securities including debentures of the Company.

### **Transfer**

- (35) Save as provided in Section 56 of the Companies Act, 2013 no transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or, if no such certificate is in existence, the letter of allotment of the share. The instrument of transfer of any share shall specify the name, address and occupations (if any) of the transferee and the transferor deem to remain the member in respect of such shares until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer shall be duly attested by the signature of one credible witness who shall add his address and occupation.
- (36) Application for the registration of the transfer of a share may be made either by the transferor, or the transferee, provided that where such application is made by the transferor, no registration shall in the case of a partly paid share be affected unless the Company gives the notice of the application to the transferee in the manner prescribed by Section 56 of the Companies Act, 2013 and subject to the provisions of these Articles the Company shall, unless objection is made by the transferee, within two weeks from the date of receipt of the notice, enter in the Register the name and the conditions as if the application for registration of the transfer was made by the transferee.
- (37) The instrument of transfer shall be in writing and all the provisions of Section 56 of the Companies Act, 2013 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of share and the registration thereof.
- (38) Subject to the provisions of Section 58 & 59 of the Companies Act, 2013 and subject to the provisions of Section-22A of the Securities Contracts (Regulation) Act, 1956, the Board without assigning any reason for such refusal, may refuse to register any transfer by operation law of the right to a share. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on shares.
- (39) No transfer shall be made to a minor, a partnership firm or a person of unsound mind.
- (40) Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the share to be transferred or, if no such certificate is in existence, by the letter of Allotment of the share and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the share, and the transferee shall (subject to the Board's right to decline to register here in before mentioned) be registered as a member in respect of such share. Every instrument of transfer, which shall be registered, shall be retained by the Company, but any instrument of transfer, which the Board may refuse to register, shall be returned to the person depositing the same.
- (41) If the Board refuses, whether in pursuance of Article 38 or otherwise, to register the transfer of, or the transmission by operation of law of the right, to any share, the Company shall give notice of the refusal in accordance with the provisions of Section 58 & 59 of the Act.
- (42) On giving not less than seven days previous notice in accordance with Section 91 and rules made thereunder, the registration of transfer may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than 45 days in the aggregate in any year.

### Transmission

- (43) The executor or administrator of a deceased member (not being one of the several joint-holders) shall be the only person recognised by the Company as giving any title to the share registered in the name of such member, and, in case of the death of any one or more of the joint holders of any registered share, the survivor shall be the only person recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on the share held by him jointly with any other person. Before recognising any executor or administrator the Board may require him to obtain a Grant of Probate or letters of Administration or other legal representation, as the case may be, from a court in India competent to grant it. Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or Letters of Administration or such other legal representation upon such terms as to indemnify or otherwise as the Board, in its absolute discretion, may think fit.
- (44) (i) Every holder of shares in, or holder of debentures of the Company may, at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of, the Company shall vest in the event of his death.
- (ii) Where the shares in, or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.
- (iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debenture of, the Company, the nominee shall, on the death of the shareholder or holder of the debentures of, the Company or, as the case may be on the death of the joint holder becomes entitled to all the rights in the shares, or debenture of the Company or, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.
- (iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to nominate in the prescribed manner, any person to become entitled to shares in, or debentures of, the Company, in the event of his death, during the minority.
- (45) Any curator bonis or a lunatic or guardian of a minor member or any person becoming entitled to or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board thinks sufficient, may, with the consent of the Board (Which the Board shall not be bound to give) be registered as a member in respect of such share or may subject to the regulation as to transfer herein before contained, transfer such share. This Article is hereinafter referred to as "The Transmission Article".
- 46 (a) If the person so becoming entitled under the Transmission Article shall elect to be registered as holder of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (b) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the Share.
- (c) All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of instruments of transfer a share shall be applicable to any such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
- (47) A person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall, subject to the provisions of Article 78 and relevant provisions of the Act, be entitled to the same dividends and other advantages as he would be entitled to, if he were the registered holder of the share.

Provided that the Board may at any time give notice requiring any such person to elect either to be

registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may there- after withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied within.

### **Forfeiture of Shares**

- (48) If a member fails to pay any call, or installment of a call or any money due in respect of any share, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid or a judgement or decree in respect of thereof remains unsatisfied in whole or in part, serve a notice on him requiring payment of so much of the call or installment or other money as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.
- (49) The notice aforesaid shall—
- (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
- (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.
- (50) If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installment, interest and expenses, due in respect thereof be forfeited by a resolution of the Board to the effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares but not actually paid before the forfeiture.
- (51) Neither the receipt by the Company for a portion of any money which may from time to time be due from any member in respect of his shares, nor any indulgence that may be granted by the Company in respect of payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture in respect of such shares as herein pro- vided. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture.
- (52) Where any share shall have been so forfeited, notice of the forfeiture shall be given to the defaulting member and an entry of the forfeiture with the date thereof, shall forthwith be made in the register of members but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.
- (53) A person whose share has been forfeited shall cease to be a member in respect of the share, but shall, notwithstanding, such forfeiture shall re- main liable to pay, and shall forthwith pay to the Company all calls, or installments, interests and expenses, owing upon or in respect of such share, at the time of the forfeiture, until payment at such rate as the Board may determine and the Board may enforce the payment thereof, or any part thereof without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.
- (54) Any share so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose off the same in such manner as it thinks fit.
- (55) The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
- (56) 1) A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share;
- 2) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed off;
- 3) The transferee shall thereupon be registered as the holder of the share; and
- 4) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his

title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

- (57) Upon any sale after forfeiture or for enforcing a lien in exercise of the powers herein above given the Board may, if necessary, appoint some person to execute an instrument for transfer of the shares sold and cause the purchaser's name to be entered in the register of member in respect of the shares sold and after his name has been entered in the register of members in respect of such shares the validity of the same shall not be impeached by any person.
- (58) Upon any sale, re-allotment or other disposal under the provision of the preceding Articles the certificate(s), if any, originally issued in respect of the related shares shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member) stand cancelled and become null and void and be of no effect, and the Board shall be entitled to issue a duplicate certificate(s) in respect of the said share to the person(s) entitled thereto.
- (59) The Board may, subject to the provision of the Act, accept a surrender of any share from or by any member desirous of surrendering them on such terms as they think fit.
- (60) The provisions of these regulations as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a share, be- comes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
- (61) The Board may at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it think fit.
- (62) The provision of these Articles in relation to forfeiture of shares shall mutatis mutandis apply to any other securities including debentures of the Company.

#### **Increase and Reduction of Capital**

- (63) The Company in General Meeting may, from time to time, alter the conditions of its Memorandum of Association to increase its Capital by the creation of new shares of such amount and class as may be deemed expedient.
- (64) Subject to any special rights for the time being attached to any shares in the capital of the Company then issued and to the provision of Section 62 of the Act, the new shares may be issued upon such terms and conditions, and with such rights attached thereto as the general meeting resolving upon the creation thereof, shall direct and if no direction be given as the Board shall determine and in particular such shares may be issued with a preferential right to dividends and in the distribution of assets of the Company.
- (65) Before the issue of any new shares, the Company in General Meeting may subject to the provision of the Act, make provisions as to the allotment and issue of shares and in particular may determine to whom the same shall be offered in the first instance and whether at par or at a premium.
- (66) Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the then existing capital of the Company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls and installments, transfer and transmission, forfeiture, lien, surrender and otherwise.
- (67) If owing to any inequality in the number of new shares to be issued and the number of shares held by members entitled to have the offer of such new shares, any difficulty shall arise in the apportionment of such new shares, or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company in general meeting, be determined by the Board.
- (68) The Company may, from time to time by special resolution, reduce its capital, any Capital Redemption Reserve Account or Share Premium Account in any manner and with and subject to any incident authorized and consent required by law.

### **Alteration of Capital**

- (69) Subject to the provisions of section 61, the Company may, by ordinary resolution—
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
  - (b) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
  - (c) Cancel any shares which at the date of the passing of the resolution, have been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.
  - (d) Convert all or any of its fully paid shares into stock and reconvert that stock into fully paid up share of any denomination.
- (70) The resolution where by any shares is sub-divided may determine that as between the holders of the shares resulting from such subdivision, one or more of such shares shall have some preferential or special advantage as regards dividend, capital, voting or otherwise over or as compared with the others or other, subject nevertheless, to the provisions of Sections 43, 47 and 48 of the Act.

### **Rights of Shareholders**

- (71) Such of the Articles of the Company (other than relating to share warrants) as are applicable to paid up shares shall apply to stock and the words "Share" and "shareholder" therein shall include "Stock" and "Stockholder" respectively.

### **Share Warrants**

- (72) Subject to the provisions of Companies Act, 2013 and subject to any directions which may be given by the Company in general meeting, the Directors may issue Share warrants in such manner and on such terms and conditions as the Board thinks fit.

### **Modification of Right**

- (73) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourth of the issued share of that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class. To every such separate General meeting the provisions of these Articles relating to General Meeting shall apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued share of that class but if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum and that any holder of share of the class present in person or by proxy may demand a poll and on a poll, shall have one vote for each share of the class of which he is the holder. This Article is not by implication to curtail the power of modification which the Company would have if this Article were omitted.

### **Joint Holders**

- (74) Where two or more persons are registered as joint holders (not more than four) of any share, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship, subject to the following and other provisions contained in these articles:
- (a) The Joint-holders of any share shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share.
  - (b) On the death of any one or more of such joint holders, the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of

a deceased joint holder from any liability on shares held by him jointly with any other person.

- (c) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share.
- (d) Only the person whose name stands first in the register of members as one of the joint-holders of any share shall be entitled to the delivery of certificate, if any, relating to such share or to receive notice (which term shall be deemed to include all relevant documents) and any notice served on or sent to such person shall be deemed service on all the joint-holders.
- (e)(i) Any one of two or more joint-holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the register in respect of such shares shall alone be entitled to vote in preference to a joint-holder present by attorney or by proxy although the name of such joint-holder present by any attorney or proxy stands first or higher (as the case may be) in the register in respect of such shares.
- (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands, shall for the purpose of this clause be deemed joint-holders.
- (f) The provision of these Articles relating to joint holders of shares shall mutatis mutandis apply to any other securities including debentures of the Company registered in joint names.

#### **Borrowing Powers**

- (75) The Board may from time to time, at its discretion, subject to the provisions of Section 73, 179, 180, 181 and 186 of the Act, raise or borrow either from the Directors or Central or State Governments, Banks or party or parties and secure the payment of any sum or sums of money for the purposes of the Company.
- (76) The Board of Directors may raise or secure the repayment or payment of any sum or sums in such manner upon such terms and conditions in all respects as they think fit and in particular by the creation of the mortgage or charge on the undertaking of the whole or any part of the property, present or future, or uncalled capital of the Company or by the issue of bonds, perpetual or redeemable, debentures or debenture stock of the Company charged upon all or any part of the property of the Company, both present and future, including its uncalled capital for the time being.
- (77) Any debentures or debenture stock bonds or other securities may be issued at a premium or otherwise and with any special rights as to redemption, surrender, drawing, allotment of shares, appointment of Directors and otherwise, Debentures, debenture stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. Provided that debentures with the rights to allotment of or conversion into the shares shall not be issued except in conformity with the provisions of the Section 62(3) of the Act.
- (78) Save as provided in Section 56 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by transferor and transferee has been delivered to the Company together with the certificate or certificates of the debentures.
- (79) Subject to the provisions of Section 58 & 59 of the Act Section - 22A of the Securities Contracts (Regulation) Act, 1956, the Board may, without assigning any reason, refuse to register the transfer of the debenture.

#### **Capitalisation of Profits**

- 80 (1) The Company in General Meeting may, upon the recommendation of the Board, resolve—
  - (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
  - (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) below amongst

the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3) below, either in or towards—
- (a) paying up any amounts for the time being unpaid on any shares held by such members respectively;
  - (b) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;
  - (c) partly in the way specified in sub-clause (a) and partly in that specified in sub-clause (b);
- (3) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares;
- (4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.
- 81 (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall—
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and
  - (b) generally do all acts and things required to give effect thereto.
- (2) The Board shall have power—
- (a) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and
  - (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the Company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;
- (3) Any agreement made under such authority shall be effective and binding on such members.

#### **Buy-back of shares**

- (82) Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the Company may purchase its own shares or other specified securities.

#### **General Meetings**

- (83) In addition to other meetings, Annual Meetings of the Company shall be held within such intervals as are specified in Section 96 (1) of the Act and subject to the provisions of Section 96 (2) of the Act at such times and places as may be determined by the Board. All other meetings or the meeting, be called Extraordinary General Meetings and shall be convened under the provision of the next following Article.
- (84) The Directors may, whenever they think fit, call an Extra-Ordinary General Meeting and the Meeting shall also be held on such requisition or in default may be called by such requisitionists, as provided by Section 100 of the Act.
- (85) The Company shall comply with the provisions of Section 111 of the Act as to giving notice of resolutions and circulating statements of the requisition of members.
- (86) Subject to the provisions of Section 101 and 105(2) of the Act, notice of every meeting of the Company shall be given to such persons and in such manner as provided by Section 101 of the Act. Where any business consists of Special Business as hereinafter defined in Article 101 there shall be annexed to the

notice a statement complying with Section 102 (2) and (3) of the Act.

The accidental omission to give any such notice to or the non receipt by any member or other persons to whom it should be given shall not invalidate the proceedings of the meeting.

### **Proceedings at General Meetings**

- (87) The ordinary business of an Annual General Meeting shall be to receive and consider the Statement of Profit and Loss, the Balance Sheet and the Reports of the Board of Directors and of the Auditors, to elect Directors in place of those retiring by rotation, to ratify the appointment of Auditors and fix their remuneration and declare dividends. All other business transacted at any other general meeting shall be deemed special business.
- (88) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The quorum for a general meeting shall be as provided in Section 103 of the Act.
- (89) If within half an hour from the time appointed for the meeting, a quorum be not present, the meeting if convened upon such requisition as aforesaid, shall be dissolved but in any other case it shall stand adjourned in accordance with the provisions of sub-section (2) and (3) of Section 103 of the Act.
- (90) Any act or resolution which, under the provisions of these Article or the Act, is permitted or required to be done or passed by the Company in general meeting shall be sufficiently so done or passed if effected by an Ordinary Resolution as defined in Section 114 (1) of the Act, unless either the Act or these Articles specifically require such act to be done or resolution passed as a Special Resolution as defined in Section 114 (2) of the Act.
- (91) The Chairperson of the Board shall be entitled to take the chair at every general meeting.
- (92) If there is no such Chairperson, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act then, the members present shall choose another Director as Chairperson of the meeting. If such Director is not present within fifteen minutes after the time appointed for holding the meeting or if all the Directors present decline to take the chair, then the members present shall on a show of hands or on a poll if properly demanded, elect one of their member, being a member entitled to vote, to be chairperson of the meeting.
- (93) At any General Meeting, a resolution put to vote at the meeting, shall unless a poll is demanded under Section 109 or the voting is carried out electronically under Section 108, be decided by a show of hands and in the case of an equality of votes, the Chairperson of the meeting shall have a casting vote in addition to vote to which he may be entitled as a member.
- (94) (1) The Company shall cause minutes of the proceedings of every general meeting of any class of members or creditors and every resolution passed by postal ballot to be prepared and signed in such manner as may be prescribed by the Rules and kept by making within thirty days of the conclusion of every such meeting concerned or passing of resolution by postal ballot entries thereof in books kept for that purpose with their pages consecutively numbered.
- (2) There shall not be included in the minutes any matter which, in the opinion of the Chairperson of the meeting -
- (a) is, or could reasonably be regarded, as defamatory of any person; or
  - (b) is irrelevant or immaterial to the proceedings; or
  - (c) is detrimental to the interests of the Company.
- (95) The Chairperson shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in the aforesaid clause.
- (96) The minutes of the meeting kept in accordance with the provisions of the Act shall be evidence of the proceedings recorded therein.
- (97) (1) The books containing the minutes of the proceedings of any general meeting of the Company or a

resolution passed by postal ballot shall:

- (a) be kept at the registered office of the Company; and
- (b) be open to inspection of any member without charge, during 11.00 a.m. to 1.00 p.m. on all working days other than Saturdays.

(2) Any member shall be entitled to be furnished, within the time prescribed by the Act, after he has made a request in writing in that behalf to the Company and on payment of such fees as may be fixed by the Board, with a copy of any minutes referred to in clause (1) above.

- (98) The Board, and also any person(s) authorised by it, may take any action before the commencement of any general meeting, or any meeting of a class of members in the Company, which they may think fit to ensure the security of the meeting, the safety of people attending the meeting, and the future orderly conduct of the meeting. Any decision made in good faith under this Article shall be final, and rights to attend and participate in the meeting concerned shall be subject to such decision.
- 99(i) If a poll be demanded at a general meeting it shall be taken forthwith on a question of adjournment or election of a Chairperson of the meeting and in any other case in such manner and at such time not being later than forty- eight hours from the time when the demand was made, and at such place as the Chairperson of the meeting directs and subject as aforesaid, either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.
- (ii) The demand of poll may be withdrawn at any time.
  - (iii) Where a poll is to be taken, the Chairperson of the meeting shall appoint two scrutineers, one atleast of whom shall be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and willing to be appointed, to scrutinise the votes given on the poll and to report to him thereon.
  - (iv) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.
  - (v) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

#### **Adjournment of meeting**

- 100 (i) The Chairperson of a general meeting may adjourn the same, from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (ii) When a meeting is adjourned it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting.
- (101) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.
- (102) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- (103) Save as aforesaid, and save as provided in the Act, it shall not be necessary to give any notice of an adjournment or of the business to be trans- acted at an adjourned meeting.

#### **Voting Rights**

- (104) Subject to the provisions of the Act (and particularly of Section 47 and 50 thereof) and of these Articles :
- (i) Upon a show of hand every member holding Equity Shares and entitled to vote and present in person

- (including an attorney or proxy or a representative of a Body Corporate) or by proxy shall have one vote;
- (ii) Upon a poll the voting right of every member holding Equity Shares and entitled to vote and present in person (including a corporation or Company present as aforesaid) or by attorney or by proxy shall be in the same proportion as the Capital paid on the Equity Share or shares (whether fully paid or partly paid) held by him bears to the total paid up Equity Capital of the Company;
- (iii) Upon a show of hand or upon a poll, the voting right of every member holding preference Shares shall be subject to the Provisions, limitations and restrictions laid down in Section 47 of the Act.
- (105) A member may exercise his vote at a meeting by electronic means in accordance with the Act and shall vote only ones.
- (106) No member shall be entitled to exercise any voting rights at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.
- (107) Where a Company or a body corporate (hereinafter called “member Company”) is a member of the Company, a person duly appointed by resolution in accordance with the provisions of Section 113 of the Act, to represent such member Company at a meeting of the Company shall not by reason of such appointment, be deemed to be a proxy, and the lodging with Company at the office or production at the meeting of a copy of such resolution duly signed by one Director of such member Company and certified by him or them as being a true copy of the resolution shall, on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers including the right to vote by proxy on behalf of the member Company which he represents as that member Company could exercise if it were an individual member.
- (108) Any person, entitled under the Transmission Article to transfer any shares, may vote at any general meeting in respect thereof in the same manner as if he were the member registered in respect of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic or non compose mentis, he may vote whether on a show of hand or a poll by his committee; curator or other legal curator and such last-mentioned persons may give their votes by proxy.
- (109) If any member be a minor, the vote in respect of his share or shares shall be by his guardian or any one of his guardians.
- (110) Where there are members registered jointly in respect of any one share, any one of such persons may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such members be present at any meeting either personally or by proxy that one of the said members so present whose name stands first on the Register in respect of such share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall, for the purpose of this Article, be deemed to be members in Register jointly in respect thereof.
- (111) On a poll votes may be given either personally or by proxy, or in the case of a body corporate, by a representative duly authorized as aforesaid.
- (112) No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid or in regard to which the Company has exercised any right of lien.
- (113) A member is not prohibited from exercising his voting on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in the preceding Article.
- (114) Any member whose name is entered in the register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other members of the same class.

### **Proxy**

- (115) The instrument appointing a proxy shall be in writing under the hand of the appointer or his Attorney duly authorized in writing or if such appointer is a body corporate be under its common seal or the hand of its officer or Attorney duly authorized.
- (116) A proxy, who is appointed for a specified meeting only shall be called a special proxy. Any other proxy shall be called general proxy.
- (117) A person may be appointed a proxy though he is not a member of the Company and every notice convening a meeting of the Company shall state this and that a member entitled to attend and vote instead of him and the Proxy need not be a member of the Company.
- (118) The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed a certified copy of that power or authority, shall be deposited at the registered office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote in respect thereof and in default the instrument of proxy shall not be treated as valid.
- (119) A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company at the Office before the vote is given. Provided nevertheless that the Chairperson of any meeting shall be entitled to require such evidence as he may in his discretion think fit, of the due execution of an instrument of proxy and that the same has not been revoked.
- (120) An instrument appointing a proxy shall be in the form as prescribed in the rules.
- (121) An objection as to the admission or rejection of vote either, on a show of hand, or on a poll made in due time shall be referred to the Chairperson of the meeting who shall forthwith determine the same and such determination made in good faith shall be final and conclusive.
- (122) No objection shall be raised to the Qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.

### **Board of Directors**

- (123) Subject to Section 149 of the Act, the number of the Directors of the Company shall not be less than three and not more than fifteen. Provided that this limit of 15 Directors can be increased by way of special resolution at a general meeting.
- (124) The same individual may, at the same time, be appointed as the Chairperson of the Company as well as the Managing Director or Chief Executive Officer of the Company.
- (125) (i) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.  
  
(ii) The remuneration payable to the directors, including any managing or whole- time director or manager, if any, shall be determined in accordance with and subject to the provisions of the Act by an ordinary resolution passed by the Company in general meeting.
- (126) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them-
  - (a) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the Company: or
  - (b) in connection with the business of the Company.
- (127) All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise

executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.

- (128) Notwithstanding any thing contrary contained in these Articles, so long as any moneys remain owing by the Company, the Financial institutions/ banks shall have a right to appoint, from time to time, any person or persons as a Director or Directors, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as nominee Director/s) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Financial institutions/ banks such Nominee Director/s shall not be required to hold any share qualification in the Company. Such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject to aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be sub- ject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the Company to the Financial institutions/banks or so long as the Financial institutions/banks holds debentures in the Company as a result of direct subscription or private placement or so long as the Financial institutions/banks holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso-facto vacate such office immediately the moneys owing by the Company to the Financial institutions/banks is paid off or on the Financial institutions/ banks ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the Financial institutions/banks.

The Nominee Director/s appointed under this Article shall be entitled to receive all notice of and attend all General Meetings, Boards Meetings and of the meeting of the Committee of which the Nominee Director/s is / are member's as also the minutes of such meetings. The Financial institutions/banks shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses which the other directors of the Company are entitled, but if any other fees, commission, money or remuneration in any form is payable to the Directors of the Company, the fees, commission, money and remuneration in relation to such Nominee Director/s shall accrue to the Financial institutions/banks and same shall accordingly be paid by the Company directly to the Financial institutions/banks any expenses that may be incurred by the Financial institutions/banks or such Nominee Director's in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Financial institutions/banks, or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Financial institutions/banks the sitting fees, in relation to such Nominee Director/s shall also accrue to the Financial institutions/banks and the same shall accordingly be paid by the Company directly to the Financial institutions/ banks.

Provided also that in the event of the Nominee Director/s being appointed as whole-time Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Lenders and have such rights as are usually exercised or available to a whole time Director, in the Management of the Borrower such Nominee Director's shall be entitled to receive such remuneration, fee, commission and moneys as may be approved by the Lenders.

- (129) If it is provided by the Trust Deed secured or otherwise, in connection with any issue of debenture of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of Debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom, for the time being is vested the power under which he was appointed in his place. A Debenture Director shall not be bound to hold any qualification shares and subject to the provisions of Section 152 of the Act, shall not be liable to retire by rotation or be re- moved by the Company.

- (130) Unless otherwise determined by an ordinary resolution in a general meeting of the Company, a Director of

the Company shall not be required to hold any share as his qualification.

- (131) The remuneration of every Director for attending a meeting of the Board or its Committee shall be such sum as the Board may decide from time to time, however subject to maximum fee or such sum as may be prescribed by the Central Govt. from time to time for a meeting of the Board or any Committee thereof. In addition, each Director shall be entitled to be reimbursed his reasonable traveling and hotel and other expenses in consequence of his attendance at meeting of the Board or any Committee there of and otherwise in execution of his duties as may be fixed by the Board of Directors from time to time.
- (132) If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of residence for any of the purpose of the Company or in giving special attention to the business of the Company or as a member of a Committee of the Board then, subject to Section 197 of the Act, the Board may remunerate the Director so doing either by a fixed sum or by percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.
- (133) A Director may, at any time, resign his office by notice in writing served on the Company as per provisions of section 168 of the Act.
- (134) The Continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum above fixed the Board shall not, except for the purpose of filling vacancies, or for summoning a general meeting of the Company, act so long as the number is below the minimum.
- (135) The Office of a director shall ipso facto become vacant if at any time he commits any of the acts set out in Section 167 of the Act.
- (136) Director or other person, referred to in Section 188 of the Act, shall not hold an office or place of profit save as permitted by that Section.
- (137) A Director of this Company may be or become a Director of any other Company promoted by this Company or in which it may be interested as a member, shareholder or otherwise and no such Director shall be account- able for any benefits received as a Director or member of such Company.
- (138) Subject to the provisions of Section 188 of the Act neither shall a Director be disqualified from contracting with Company either as vendor, purchaser or otherwise for goods, materials or services or for underwriting the subscription of any securities or derivatives of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of a such Director or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private Company of which such Director is a member or Director, be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding office or for the fiduciary relation thereby established.
- (139) Every Director shall comply with the provisions of Section 184 of the Act regarding disclosure of his concern or interest in any contract or arrangement entered into or to be entered by the Company.
- (140) Save as permitted by Section 184 of the Act or any other applicable provision of the Act, no Director shall as a Director take any part in the discussion of, or vote on any contract or arrangement in which he is in any way, whether directly or indirectly, concerned or interested, nor shall, his presence count for the purpose of forming a quorum at the time of such discussion or vote.

#### **Appointment, Retirement and Removal of Director**

- (141) Subject to the provisions of the Act, the Board shall have power, at any time and from time to time to appoint any person as an Additional Director to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles.
- (142) Any Director so appointed shall hold office only until the next Annual Gen- eral Meeting of the Company and shall then be eligible for re-appointment by the Company as a director at that meeting subject to the provisions of the Act.

- (143) The Directors may appoint any person to act as an Alternate director for a Director during the latter's absence for a period of not less than three months from India and such appointment shall have effect and such appointee; whilst he holds office as an Alternate Director shall be entitled to notice of Meetings of the Directors and to attend and vote there at accordingly. Provided that no person shall be appointed as an Alternate Director for an Independent Director unless he is qualified to be appointed as an Independent Director under section 149 of the Act.
- (144) An alternate Director shall not hold office for a period longer than the permissible to the Original Director in whose place he has been appointed and shall vacate the office if and when the Original Director returns to India.
- (145) If the term of office of the Original Director is determined before he returns to India the automatic reappointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the alternate Director.
- (146) If any Director, appointed by the General Meeting vacates office as a Director before his terms of office will expire in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board.
- (147) The Director so appointed shall remain in his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing there to any person who has been removed from the office of the Director under Article 146.
- (148) At each Annual General Meeting of the Company one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office.  
 Provided that Independent Directors and Nominee Directors of the Company shall not be liable to retire by rotation.
- (149) Subject to the provisions of these Articles, the Director to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day, those to retire shall in default of and subject to any agreement among themselves, be determined by lot.
- (150) The Company may remove any Director before the expiration of his period of office in accordance with the provisions of Section 169 of the Act and may subject to the provisions of Section 161 of the Act appoint another person in his place if the Director so removed was appointed by the Company in General Meeting or by the Board under Articles 137, 138 and 142.
- (151) At the Annual General Meeting at which a Director retires as aforesaid the Company may fill up the vacancy by appointing the retiring Director who is eligible for re-election or some other person thereto if a notice for the purpose has been left at the office of the Company as required by Section 160 of the Act.

#### **Powers of Board**

- (152) The management of the business of the Company shall be vested in the Board which may exercise all such powers, and do all such acts and things, as the Company is by the memorandum of association or otherwise authorised to exercise and do, and, not hereby or by the statutes or otherwise directed or required to be exercised or done by the Company in general meeting but subject nevertheless the provisions of the Act and other laws and of the memorandum of association and these articles and to any regulations, not being inconsistent with the memorandum of association and these Articles or the Act, from time to time made by the Company in general meeting provided that no such regulation shall invalidate any prior act of the Board, which would have been valid if such regulation had not been made.

#### **Managing/Whole Time Director**

- 153 (i) Subject to the Provision of Section 188, 196 & 203 of the Act the Board of Directors may from time to time, appoint one or more of them as Managing/Whole time Director or Directors on such remuneration and on such other terms and conditions as the Board may deem fit. The Board may subject to any contract between such Director and the Company remove or dismiss him and appoint another in his place.

- (ii) Where the Company enters into any contract for the appointment of a Managing or Whole time Director or varies any such contract or where the Board passes any resolution appointing such a Director or varies any previous contract or resolution of the Company relating to such appointment, the Company shall keep at its Registered office copies of such contract, which shall be opened to inspection by any member of the Company with- out payment of fee.
- (154) Subject to the provisions of any contract between Managing/Whole Time Director and the Company, he shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately cease to be a managing/wholetime Director if he ceases to hold the office of Director from any cause.
- (155) Subject to the provisions of Section 197 and 200 of the Act, a Managing or Wholetime Director may be paid remuneration either by way of monthly payment or at specified percentage of the net profits of the Company or partly by one way and partly by the other as may, from time to time, be determined by a resolution passed by the Company in General Meeting.
- (156) Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in Section 179 thereof the Board may, from time to time, entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such power for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as it thinks fit, and the Board may confer such powers, either collaterally with or to the exclusion of, and in substitution for all or any of the powers of the Board in that behalf, and may from time to time, revoke, withdraw, alter or vary all or any of such powers.

#### **Proceedings of the Board**

- 157 (i) The Board shall meet for a minimum number of four times in a year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings for despatch of business, adjourn and otherwise regulate their meetings and proceeding as may think fit. Questions arising at any meeting shall be decided by a majority of votes and in case of equality of votes, the Chairperson shall have a second or casting vote.
- (ii) Notice of every meeting of the Board shall be given to the Directors in accordance with the provisions of Section 173 of the Act.
- 158(i) The Quorum for a meeting of the Board shall be determined from time to time in accordance with the provisions of Section 174 of the Act. If the Quorum is not present within fifteen minutes from the time appointed for holding a meeting of the Board, the meeting shall be adjourned until such date and time as the Chairperson of the Board shall decide.
- (ii) Where at any time the number of interested Directors exceeds or is equal to two third of its total strength, the number of the remaining Directors that is to say, the number of directors who are not interested present at the meeting being not less than two, shall be the quorum during such time.
- (159) The participation of Directors in a meeting of the Board may be either in person or through video conferencing or audio visual means as may be prescribed by the Rules or permitted under law.
- (160) A Director may, and the Manager or Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.
- 161(i) The Chairperson of the Company shall be the Chairperson at the meetings of the Board. In his absence, the Board may elect the Chairperson of its meetings and determine the period for which he is to hold the office.
- (ii) If no Chairperson is appointed, or if at any meeting of the Board, the Chairperson be not present within fifteen minutes after the time appointed for holding the same, the Directors present shall choose one of their member to be Chairperson of such meeting.
- (162) A meeting of the Board at which a quorum be present, shall be competent to exercise all or any of the

authorities, powers and discretions by or under these Articles or the Act for the time being vested in or exercisable by the Board.

- (163) The Continuing Directors may act notwithstanding any vacancy in the board; but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the Company, but for no other purpose.
- (164) The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its power to a Committee consisting of such members or Directors as it thinks fit, and may from time to time, revoke such delegation.
- (165) The participation of Directors in a meeting of the Committee of the Board may be either in person or through video conferencing or audio visual means as may be prescribed by the Rules or permitted under law.
- (166) A Committee may elect a Chairperson of its meetings unless the Board, while constituting a Committee, has appointed a Chairperson of such Committee. If no such Chairperson is elected, or if at any meeting the Chair- person is not present within fifteen minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.
- (167) A Committee may meet and adjourn as it thinks fit.
- (168) Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present. In case of any equality of votes, the Chairperson of the Committee shall have second or casting vote.
- (169) The meetings and proceedings of any such Committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto, and are not superseded by any regulations made by the Board under the last preceding Article.
- (170) All acts done by any meeting of the Board, or by a Committee of Directors, or any person acting as a Director, shall notwithstanding that it may afterwards be discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified or had vacated office by virtue of any provisions contained in the Act or in these Articles be as valid as if every such Director or person had been duly appointed and was qualified to be Director and had not vacated such office provided that nothing in this Article shall be deemed to give validity to acts done by a Director after the appointment of such Director, has been shown to be invalid or to have terminated.
- (171) Save as otherwise expressly provided in the Act, a resolution in writing, signed, whether manually or by secure electronic mode, by a majority of the members of the Board or of a Committee thereof, for the time being entitled to receive notice of a meeting of the Board or Committee, shall be valid and effective as if it had been passed at a meeting of the Board or Committee, duly convened and held.

#### **Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer**

- (172) Subject to the provisions of the Act—
- (i) A Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer so appointed may be removed by means of a resolution of the Board;
  - (ii) A Director may be appointed as Chief Executive Officer, Manager, Com- pany Secretary or Chief Financial Officer.

#### **Minutes**

- 173 (a) The Board, shall in accordance with the provision of Section 118 of the Act, cause minutes to be kept of proceeding of every General Meeting of the Company and of every meeting of the Board or of every

Committee of the Board.

- (b) Any such minutes of proceeding of any meeting of the Board or of any Committee of the Board or of the Company in general meeting, if kept in accordance with the provisions of the Section 118 of the Act, shall be evidence of the matters stated in such minutes. The minutes books of general meetings of the Company shall be kept at the office and shall be open to inspection by members during the hours of 11 a.m. and 1 p.m. on such business days as the Act requires them to be open for inspection.

#### **Delegation**

- (174) Without prejudice to the general powers conferred by the preceding Article, the Directors may from time to time and at any time subject to the restriction contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other person any of the powers, authorities and discretion's for the time being vested in the Board and the Board, may at anytime, remove any person so appointed and may annul or vary such delegation.

#### **Local Management**

- (175) The Board may, subject to the provisions of the Act, make such arrangement as it may think fit for the management of the Company's affairs abroad and for this purpose appoint local bodies, attorneys and agents and fix their remuneration and delegate to them such power as the Board may deem requisite or expedient. The Company may exercise all the powers of the Act and the Official Seal shall be affixed by the authority and in the presence of and the instruments sealed there with shall be signed by such persons as the Board shall, from time to time by writing under the Seal, appoint. The Company may also exercise the power of the Act with reference to the keeping of foreign registers.

#### **Management**

- (176) Any Director or other person referred to in Section 188 of the Act, may be appointed to or hold any office or place of profit under the Company or under any subsidiary of the Company in accordance with and subject to the provisions of the said Section.
- (177) Any provision of the Act or these Articles requiring or authorizing a thing to be done by a Director, Manager or Secretary shall not be satisfied by its being done by the same person acting both as, or in place of the Manager or Secretary.

#### **Authentication of Documents**

- (178) Save as otherwise provided in the Act, any Director or the Company Secretary or any person appointed by the Board for the purpose shall have power to authenticate any document affecting the constitution of the Company and any resolution passed by the Company or the Board and any books, records, documents and accounts relating to the business of the Company, and certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are else-where than at the office, the local manager or other officer of the Company having the custody thereof, shall be deemed to be a person appointed by the Board as aforesaid.
- (179) A document purporting to be a copy of a resolution of the Board or an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the preceding Articles shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Board.

#### **Registers**

- (180) The Company shall keep and maintain at its registered office all statutory registers namely, register of charges, register of members, register of debentureholders, register of any other securityholders, the register and index of beneficial owners and annual return, register of loans, guarantees, security and acquisitions, register of investments not held in its own name and register of contracts and arrangements for such duration as the board may, unless otherwise prescribed, decide, and in such manner and containing such particulars as prescribed by the Act and the Rules. The registers and copies of annual return shall be

open for inspection during 11.00 a.m. to 1.00 p.m. on all working days, other than Saturdays, at the Registered Office of the Company by the persons entitled thereto on payment, where required, on such fees as may be fixed by the Board but not exceeding the limits prescribed by the Rules.

- 181(a) The Company may exercise the powers conferred on it by the Act with regard to the keeping of a foreign register; and the Board may (subject to the provisions of the Act) make and vary such regulations as it may think fit respecting the keeping of any such register.
- (b) The foreign register shall be open for inspection and may be closed, and extracts may be taken therefrom and copies thereof may be required, in the same manner, *mutatis mutandis*, as is applicable to the register of members.

#### **The Seal**

- (182) The Board of Directors shall provide for a seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Managing Director shall provide for the Safe custody of the seal for the time being and the seal shall, except as otherwise provided under the Act or rules thereunder, never be used except by the authority of a resolution of the Directors or of a Committee of the Directors previously given. Provided, nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching upon the authority of the Directors to issue the same.
- (183) The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least one director or of the Company Secretary or such other person as the Board may appoint for the purpose; and such director or the Company Secretary or other person aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.

#### **Reserves**

- (184) The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.
- (185) Any general meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undivided profits of the Company and standing to the credit of the reserves or any Capital Redemption Reserve Account, or in the hand of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Securities Premium Account be capitalised amongst such of the securities holders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such securityholders in paying up in full any unused shares, debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such security holders in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a Securities Premium Account or a Capital Redemption Reserve Account may for the purpose of this Article, only be applied in the paying up of unused shares to be issued to member of the Company as fully paid bonus shares.
- (185)(a) For the purpose of giving effect to any resolution under the last two preceding Articles, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board. Where requisite a proper contract shall be filled in accordance with the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend for capitalised fund and such

appointment shall be effective.

### **Dividend**

- (186) Subject to the rights of the members entitled to shares (if any) with preferential rights attached thereto, the profits of the Company which it shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the Equity shares of the Company but so that partly paid up shares shall only entitle the holder with respect thereof to such proportion of the distribution upon a fully paid-up share as the amount paid thereon bears to the nominal amount of such shares. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend paid, but if share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly. Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest, rank for dividends or confer a right to participate in profits.
- (187) The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profit and may subject to the provisions of Section 127 of the Act fix the time for payment.
- (188) No larger dividend shall be declared than is recommended by the Board but the Company in General Meeting may declare a smaller dividend.
- (189) Subject to the provisions of Section 123 of the Act, no dividend shall be payable except out of the profit of the Company or out of money provided by the Central or a State Government for the payment of the dividend in pursuance of any guarantee given by such government and no dividend shall carry interest against the Company.
- (190) The declaration of the Board as to the amount of the net profit of the Company shall be conclusive.
- (191) The Board may, from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company.
- (192) The Board may deduct from any dividend payable to any member all sum of money, if any, presently payable by him to the Company on account of calls or otherwise, in relation to the shares of the Company.
- (193) A general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, not exceeding the amount remaining unpaid on the shares, but so that the call on such member also does not exceed the dividend payable to him and so the call be made payable at the same time as the dividend and in such case the dividend may be set off against the call.
- (194) No dividend shall be payable except in cash provided that nothing in the foregoing shall be deemed to prohibit the Capitalisation of profits or re- serves of the Company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the members of the Company.
- (195) A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer by the Company.
- (196) The Company may pay interest on capital raised so far as it shall be authorized to do by the Act.
- (197) No dividend shall be paid in respect of any shares except to the registered holder of such share or to his order or to his bankers but nothing contained in this Article shall be deemed to require the bankers of a registered share- holder to make a separate application to the Company for the payment of the dividend Nothing in this Article shall be deemed to effect in any manner the operation of Article 195.
- (198) Anyone of the several persons who are registered as the joint holders of any share may give effectual receipts for all dividends, bonuses and other payment in respect of such share.
- (199) Notice of the dividend whether interim or otherwise shall be given to the person entitled to share therein in

the manner hereinafter provided.

- (200) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by electronic mode or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members.
- (201) The Company shall comply with the provisions of Section 124 of the Act, in respect of unpaid or unclaimed dividend.

#### **Books and Documents**

- 202 (1) The Books of Account shall be kept at the office or at such other place in India as the Board may, from time to time, decide.
- (2) The books of account and other relevant books and papers shall be maintained in physical and electronic mode and shall remain accessible in India, so as to be usable for subsequent reference. There shall be a proper system for storage retrieval, display or printout of the electronic records.

#### **Accounts**

- (203) Subject to Section 130 and 131 of the Act, every Balance Sheet and Statement of Profit and Loss of the Company when audited and adopted by the Company in General Meeting shall be conclusive.

#### **Audit**

- (204) Once at least every year, the accounts of the Company shall be examined and the correctness to the Statement of Profit and Loss and Balance Sheet, ascertained by the Auditor or Auditors of the Company.
- (205) In compliance with the section 139 of the Act, the Company shall appoint an individual or a firm as an Auditor.
- (206) Where the Company has a Branch Office the Provisions of Section 143(8) of the Act shall apply.
- (207) All notice of and other communications relating to any General Meeting of the Company which any member of the Company is entitled to have sent to him shall also be forwarded to the Auditor of the Company and the Auditor shall also be entitled to attend any General Meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.
- (208) The appointment, remuneration, rights and duties of auditors of the Company shall be regulated by the provisions of Section 139,141,142 & 148 of the Act.

#### **Service of Notices and Documents**

- 209 (1) A notice or other document shall be given or sent by the Company to every member either personally or by sending it by post to his registered address in India or if he has no registered address in India by air mail post to the address outside India supplied to the Company for the giving of notices to him or through registered E-mail.
- (a) Service thereof shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice or document, provided that there a member has intimated to the Company in advance that notice or documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement or through registered E-mail and has deposited with the Company a sufficient sum to defray the expenses of doing so, service of the notice or document shall not be deemed to be effected unless it is sent in the manner intimated by the members; and;
- (b) Such service shall be deemed to have been effected : - i) In the case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the same is posted, and, ““ii) In any other case, at the time at which the letter would be delivered in the ordinary course of post. (iii) In case of E-mail at the time of acknowledgment e-mail received from concerned member or report obtained from concerned

agency hired for availing e-mail facility.

- (2) Notwithstanding any provisions to the contrary, any notice or document to be served on a member who has not given an address in India for service of notices or documents shall be sent to such member by air mail and posted not less than twenty one clear days before the same is to be served as required by the Act or by these Articles.
- (210) A notice or other document advertised in a newspaper having wider circulation by the Company shall be deemed to be duly served on the day on which the advertisement appears on every member of the Company who has no registered address in India and has not supplied to the Company an address for the giving of the notices to him.
- (211) A notice or other document may be served by the Company on the joint holders of a share by giving notice to the joint-holder named first in the Register in respect of the share.
- (212) A notice or other document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name, or by the title of representative of the deceased, or assignee of the insolvent or by any like description, at the address in India supplied for the purpose by the persons claiming to be entitled, or, until such an address has been so supplied, by giving the notice in any manner in which the same might have been, if the death or insolvency had not occurred.
- (213) Any notice required to be or which may be given by advertisement shall be advertised in one or more newspapers having wider circulation.
- (214) Every person who by operation of law or transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such shares which previous to his name and address being entered on the register shall have been duly given to the person from whom he derives his title to such share.
- (215) Subject to the provisions of Article 218 to 222, any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these Articles shall, notwithstanding such member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint holders thereof and such service shall for purposes of these Articles be deemed a sufficient service of such notice or document on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such share.
- (216) The signature to any notice to be given by the Company may be written or printed.
- (217) Subject to the provisions of Section 318 of the Act, in the event of a winding-up of the Company, every member of the Company shall be bound, within eight weeks after the passing of an effective resolution to wind-up the Company, to serve notice in writing on the Company appointing some householder residing in the neighbourhood of the office upon whom all summons, notices, process, orders and judgements in relation to the winding-up of the Company may be served and in default of such nomination, the Liquidator of the Company shall be at liberty, on behalf of such member, to appoint some such persons, and service upon any such appointee whether appointed by the member or the Liquidator shall be deemed to be good personal service on such member for all purposes and where the Liquidator makes any such appointment he shall with all convenient speed, give notice thereof to such member by advertisement in some daily newspapers circulating in the neighbourhood of the office or by a registered letter sent by post and addressed to such member at his address as registered in the Register and such notice shall be deemed to be served on the day on which the advertisement appears or the letter should be delivered in the ordinary course of the post. The provisions of this Article shall not prejudice the right of the Liquidator of the Company to serve any notice or other document in any other manner prescribed by these Articles.

### **Inspection**

- 218 (a) The Books of Account and other books and papers shall be open to inspection by any Director during business hours.

- (b) The Board shall, from time to time determine whether and to what extent and at what times and place, and under what conditions or regulations, the Books of Account and other books and documents of the Company, other than those referred to in Articles 172 (b) and 219 or any of them, shall be open to the inspection of the members not being directors and no member (not being a Director) shall have any right of inspecting any books of account or book or document of the Company except as conferred by law or authorized by the Board or by the Company in general meeting.
- (219) Subject to the provisions of Section 128 (3) of the Act, where under any provisions of the Act any person, whether a member of the Company or not, is entitled to inspect any register, return, certificate, deed, instrument or document required to be kept or maintained by the Company the person entitled to inspection shall on his giving to the Company not less than twenty four hours previous notice in writing of his intention specifying which register, etc., he intends to inspect, be permitted to inspect the same during the hours of 11 a.m. and 1 p.m., on such business days as the Act requires them to be given for inspection.
- (220) A Copy of every Balance Sheet (including the Statement of Profit & Loss), the Auditors' Report and every other document required by law to be annexed or attached as the case may be, to the Balance Sheet which is to be laid before the Company's General Meeting shall be made available for inspection at the Regd. Office of the Company during working hours for a period of 21 days before the date of the meeting. A statement containing the salient features of such document in the prescribed forms or copies of the documents aforesaid as the Company may deem fit, will be sent to every member of the Company and to every Trustee for the holding of any Debentures issued by the Company not less than 21 days before the date of meeting.
- (221) The Company, may in accordance with the provisions of Section 91(1) of the Act, close the Register of Members or of the debenture holders as the case may be.

#### **Reconstruction**

- (222) Subject to the provisions of the Act, on any sale of the undertaking of the Company, the Board or the liquidator on a winding-up may if authorized by a Special Resolution accept fully paid or partly paid up shares, debentures or securities of any other Company incorporated in India, or to the extent permitted by law of a Company incorporated outside India, either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the Company permit) or the Liquidates (in a winding-up) may distribute such shares or securities or any other property of the Company amongst the members without realisation or vest the same in trustee for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributors of the Company, and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound, to accept and shall be bound by any valuation or distribution is authorized and waive all rights in relation thereto, save only in case the Company proposed to be in the course of being wound up, such statutory rights (if any) under section 319 of the Act, as are incapable of being varied or excluded by these Articles.

#### **Compromises, Arrangements and Amalgamation**

- (223) The Company shall have power to compromise or make arrangements with creditors and members, amalgamate or merge with other Company or companies in accordance with the provisions of this Act and with any other applicable laws.

#### **Secrecy**

- (224) Every Director, Company Secretary, Trustees for the Company, its members or debenture holders, member of a Committee, servant, officer, agent, accountant or other person employed in or about the business of the Company shall, if so required by the Board before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any general meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions contained in these Articles contained.

- (225) No shareholders or other persons (not being a Director) shall be entitled to enter upon the properties of the Company or to inspect or examine the premises or properties of the Company without the permission of the Board or, Subject to Article 228 to require discovery of or any information respecting any detail of the trading of the Company on any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever, which may relate to the conduct of the business of the Company, which in the opinion of the Board will be inexpedient in the interest of the Company to communicate.

### **Winding Up**

- 226 (a) In the event of the Company being wound up, the holders of Preference Shares, if, any shall be entitled to have the surplus assets available for distribution amongst members as such applied in the first place in repayment to them the amount paid-up on the Preference Shares held by them respectively and payment of arrears of dividend up to the commencement to the winding up, whether declared or not, but shall not be entitled to any further participation in such surplus assets. If the surplus available as afore- said shall be insufficient to repay the whole of the amount paid up on the Preference Shares any arrears of dividend, such assets shall be distributed amongst the holders of Preference Shares so that the losses shall be borne by the holders of Preference shares in proportion to the Capital paid up or which ought to have been paid up thereon and the arrears of dividend as aforesaid.
- (b) If the Company shall be wound up and the assets available for distribution among the members as such after payment to the Preference Share holders as aforesaid, shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them, respectively. And if in the winding up the assets available for distribution among the members after payment to the Preference shareholders as aforesaid shall be more than sufficient to re- pay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the Commencement of the winding up paid up on the shares held by them respectively.
- (c) This Article is to be without prejudice to the rights and privileges amongst the holders of Preference of different series or shares issued upon special terms and conditions.
- (227) If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a Special Resolution divide amongst the contributors, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of assets of the Company in trustees upon such trusts for the benefit of the contributors or any of them, as the liquidators, with the like sanction shall think fit.
- (228) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- (229) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

### **Indemnity & Insurance**

- (230) (i) Every Director, Managing Director, Manager, Company Secretary or Officer of the Company or any person (whether an officer of the Company or not) employed by the Company and any person appointed as an Auditor, shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Managing Director, Manager, Secretary, Officer, employee or Auditor, in defending any proceeding whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under Section 463 of the Act, in which relief is granted to him by the Court.
- (ii) Subject as aforesaid, every director, managing director, manager, Company Secretary or other Officer of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which he is acquitted or discharged or in connection with any application under

applicable provisions of the Act in which relief is given to him by the Court. The Company may take and maintain any insurance as the Board may think fit on behalf of its present and/or former directors and key managerial personnel for indemnifying all or any of them against any liability for any acts in relation to the Company for which they may be liable but have acted honestly and reasonably.

#### **General Power**

- (231) Wherever in the Act, it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is authorised by the Articles, then and in that case this Article authorises and empowers the Company to have such rights, privileges or authorities and to carry such transactions as have been permitted by the Act, without there being any specific Article in that behalf herein provided.

## SECTION X – STATUTORY AND OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (*not being contracts entered into in the ordinary course of business carried on by us*) which are or may be deemed material have been entered into by us.

The contracts together with the documents referred to in para (B) below may be inspected at the Registered Office of our Company between 11.00 a.m. to 5.00 p.m. on any working day from the date of this Letter of Offer until the Issue Closing Date.

#### 1. MATERIAL CONTRACTS

- a) Issue Agreement dated October 28, 2016 between the Company and Lead Manager.
- b) Agreement dated [●], between the Company and Registrar to the Issue.
- c) Escrow Agreement dated [●], amongst our Company, the Lead Manager, the Registrar to the Issue and the Bankers to the Issue.
- d) Underwriting agreement dated [●] between our Company and [●].

#### 2. DOCUMENTS FOR INSPECTION

- a) Certificate of Incorporation of our Company dated May 14, 2010.
- b) Certificate of Commencement of Business our Company dated June 15, 2010.
- c) Memorandum and Articles of Association of our Company.
- d) Copy of the Scheme of Arrangement and De-merger dated January 12, 2011 between Vardhman Textiles Limited and Vardhman Special Steels Limited.
- e) Certified copy of Board resolution dated October 28, 2016, authorizing the Further Issue of Share Capital.
- f) Certified copy of Special resolution passed by Shareholders through Postal Ballot dated December 22, 2016 authorizing the Issue of Rights Equity Shares to the Eligible Employees of the Company.
- g) Certified copy of Resolution dated January 23, 2017 passed by Committee of Directors (Rights Issue) authorizing issue of upto 12,00,000 equity shares to the Eligible Employees (other than Promoters) of the Company along with further Issue of equity shares to Eligible Existing Equity Shareholders of the Company.
- h) Consents of the Directors, Company Secretary and Compliance Officer, Statutory Auditor, Lead Manager, Legal Counsel to the Issue, Legal Advisor to the Company, Banker to the Issue, Banker to the Company, Registrar to the Issue and Chief Financial Officer to include their names in this Letter of Offer to act in their respective capacities.
- i) Certified copy of Special resolution passed by Shareholders of the Company dated September 04, 2015 for appointment of Mr. Sachit Jain as Managing Director of the Company.
- j) Certified copy of Special resolution passed by Shareholders of the Company dated September 28, 2016 to approve the remuneration payable to Mr. Sachit Jain, Managing Director, for the financial year 2016-17.
- k) The annual reports of the Company for Fiscal Years 2012, 2013, 2014, 2015 and 2016.
- l) The Report of the Statutory Auditors being, M/s S.S. Kothari Mehta & Co., Chartered Accountants, as set out herein dated January 23, 2017 relating to the audited financial information of our Company including Annexure XXVII – Statement of Capitalisation and Annexure XXVIII – Summary of Accounting Ratios.

- m) A Statement of tax benefits dated January 23, 2017 received from M/s. S.S. Kothari Mehta & Co., Chartered Accountants, regarding tax benefit available to our Company and its shareholders.
- n) Certificate dated January 23, 2017 from M/s S.S. Kothari Mehta & Co Chartered Accountants, certifying the financial indebtedness, objects of the Term loans and Corporate loans have been utilized for the object for which they were taken.
- o) Certificate dated February 03, 2017 from M/s S.S. Kothari Mehta & Co Chartered Accountants, certifying the un-audited working results of the Company for the period April 01, 2016 to December 31, 2016.
- p) In-principle listing approval dated [●] & [●], from the BSE and NSE respectively.
- q) Due Diligence Certificate dated January 27, 2017, by Master Capital Services Ltd., the Lead Manager.
- r) Observation letter no. [●] dated [●], received from SEBI and compliance letter dated [●] by Master Capital Services Ltd.; Lead Manager.
- s) Tripartite Agreement dated April 18, 2011, between the Company, CDSL and Alankit Assignments Limited.
- t) Tripartite Agreement dated March 30, 2011, between the Company, NSDL and Alankit Assignments Limited.
- u) Copies of Materiality of Events Policy of Vardhman Special Steels Limited, Vardhman Textiles Limited, Vardhman Acrylics Limited and Vardhman Holdings Limited.
- v) Copies of Sanction letters/Credit facilities from State Bank of India, Axis Bank, HDFC Bank and Yes Bank.
- w) Copy of Vardhman Special Steels Limited Employee Stock Option Plan 2016 as approved by way of a special resolution at the Annual General Meeting held on September 28, 2016.
- x) Copy of the Registered User Agreement dated March 25, 2013 with Vardhman Holdings Limited, Chandigarh Road, Ludhiana (VHL) for the use of Registered Trade Mark “VARDHMAN” with Logo.

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance of the provisions contained in the Companies Act, 2013 and other relevant statutes.

## DECLARATION

We certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act and the rules made thereunder or regulations issued thereunder, as the case maybe. We further certify that, all the legal requirements connected with the said Issue as also the regulations, guidelines, instructions, etc. issued by SEBI, Government of India and any other competent authority in this behalf have been duly complied with.

We hereby certify that all disclosures made in this Draft Letter of Offer are true and correct.

### SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY

| Name   | Signature |
|--|-----------|
| <b>Mr. Sachit Jain</b><br>Managing Director                                  | Sd/-      |
| <b>Mrs. Suchita Jain</b><br>Non-Executive and Non-Independent Director       | Sd/-      |
| <b>Mr. Rajinder Kumar Jain</b><br>Non-Executive and Non-Independent Director | Sd/-      |
| <b>Mr. B.K. Choudhary</b><br>Non-Executive and Non-Independent Director      | Sd/-      |
| <b>Mr. Prafull Anubhai</b><br>Chairman & Independent Director                | Sd/-      |
| <b>Mr. Jayant Davar</b><br>Independent Director                              | Sd/-      |
| <b>Mr. Rajeev Gupta</b><br>Independent Director                              | Sd/-      |
| <b>Mr. Sanjoy Bhattacharyya</b><br>Independent Director                      | Sd/-      |
| <b>Mr. Sanjeev Pahwa</b><br>Independent Director                             | Sd/-      |
| <b>Mr. Sanjeev Singla</b><br>Chief Financial Officer                         | Sd/-      |

**Place:** Ludhiana

**Date:** February 03, 2017